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# HERALD TRIBUNE

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## LATE NEWS

### Argentine Guilty In Torture Trial

**BUENOS AIRES (UPI)** — General Ramon Camps, the former police chief of Buenos Aires Province, was convicted Tuesday of 73 counts of torture in the arrest and interrogation of Jacobo Timmerman, the Argentine newspaper editor.

A six-member tribunal also convicted two other police officers, a former police doctor and a police corporal on torture charges. Two police officers were acquitted.

A secret military trial acquitted Mr. Timmerman of a charge of seeking to overthrow the Argentine government, and he was exiled to Israel in 1979. He wrote a book, "Prisionero Sin Nombre," about his imprisonment and torture.

## SPECIAL TODAY

**THE ITALIAN MIRACLE**  
A quiet revolution has trans-  
formed Italy's economic land-  
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A special report, Pages 7-10



Manuel Fraga Iriberry, who resigned Tuesday, Spain's opposition leader.

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## GENERAL NEWS

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President Ronald Reagan after his televised announcements Tuesday.

## Casey Said to Order CIA Role in Shipment

By Doyle McManus  
and Michael Wines  
Los Angeles Times Service

**WASHINGTON** — William J. Casey, the director of the CIA, personally approved its participation in a secret U.S.-Israeli shipment of arms to Iran in November 1985, contrary to the account he initially gave the House and Senate Intelligence committees, according to officials.

Mr. Casey ordered the Central Intelligence Agency to provide "logistical support" for the shipment at the request of Lieutenant Colonel Oliver L. North, who was then a member of the National Security Council staff, the officials said.

But the order, they said, came about two months before President Ronald Reagan signed the widely intelligence "finding" normally required for such covert activity.

Attorney General Edwin Meese, 56 said last week that the president did not learn of the November 1985 arms shipment until February, three months after it had taken place. Mr. Casey apparently believed he was acting in accordance with White House wishes in order to keep the CIA's involvement, although he proceeded without written approval.

Mr. Casey initially told the congressional intelligence panels in a briefing that the CIA's role in the shipment had been approved by John N. McMahon, then the CIA's deputy director for operations committee members said.

Some members said that Mr. Casey's account at the Nov. 21 hearing gave them the impression that he did not even know of the shipment at that time.

But after Mr. McMahon reportedly contested Mr. Casey's version,

two knowledgeable officials said, the CIA director later told the Senate committee that he had "misapplied."

A source at the Senate Intelligence Committee said that the panel was satisfied with Mr. Casey's explanation of his authorization of the shipment. "Sometimes people mispeak," the source said.

The November shipment has been a focus of questions from members of the two intelligence committees because it marked the CIA's first involvement in the Reagan administration's secret arms pipeline to Iran and because the agency acted without a formal order from Mr. Reagan.

Mr. Casey refused to comment Monday on the 1985 shipment or on his varying accounts of its approval.

But members of the intelligence

## Special Inquiry Called on Iran; Reagan Chooses Security Aide

### President Appoints Carlucci, Pledges Help in Investigations

By David Hoffman  
Washington Post Service

**WASHINGTON** — President Ronald Reagan announced Tuesday that Attorney General Edwin Meese would ask a federal court here to appoint an independent counsel to investigate the diversion of profits from Iranian weapons sales to help the Nicaraguan rebels.

"If illegal acts were undertaken, Mr. Reagan said, 'those who did so will be brought to justice.'"

Mr. Reagan also announced the appointment of Frank C. Carlucci, former deputy defense secretary and deputy CIA director, to serve as his first national security adviser, replacing Vice Admiral John M. Poindexter, who resigned last week.

In addition, Mr. Reagan endorsed the idea, proposed by members of Congress, of a consolidated

congressional inquiry into the Iran and Nicaragua controversies. He asked Congress to proceed without disrupting other business.

In a speech from the White House, Mr. Reagan pledged "full cooperation" of the White House staff in investigations of the Iran and Nicaragua clandestine operations undertaken by his National Security Council.

He said he had already "permitted" Admiral Poindexter and one of his key deputies, Lieutenant Colonel Oliver L. North, to testify before the Senate Intelligence Committee. Colonel North was dismissed last week for his role in the secret operations and reportedly invoked the Fifth Amendment against self-incrimination in his explanation of his version of events in a meeting with the Republican legis-

lative leaders and "I believe the president is telling me the truth."

The lawmakers skirted questions about whether Donald T. Regan, the president's chief of staff, should resign, saying that is a judgment that Mr. Reagan would have to make. However, several of them suggested that Mr. Regan did not intend to resign.

Mr. Regan has been increasingly the target of criticism for failing to fully inform and protect the president in the Iran and Nicaragua operations.

The outgoing assistant majority leader, Alan K. Simpson, Republican of Wyoming, said Mr. Regan should resign because he would be in a difficult position as the president's chief of staff at a critical point, as the president prepares for the next session of Congress.

Sources said Mr. Regan had been convinced over the weekend of the need to recommend an independent counsel.

Some White House officials are

held a public hearing and keeps its records in a walk-in safe.

All six had highly defined mandates that limited their investigations to certain high-ranking suspects and certain suspected crimes. And while two of them are still at work, not one has brought a single criminal charge.

"It's become a greater protection for people than the evil it sought to prevent," said a former House general counsel, Stanley M. Brand.

"I've always thought of it as an old-boy network. Whoever it is, he returns to true bill. Everybody goes home happy."

Under both new and old forms of the ethics law, the scope of jurisdiction of any independent counsel as the prosecutor now is officially known, is drafted by the attorney general. In this case, Regan's lawyer, Edwin Meese, said it is determined in final form and may be broadened by the special, and selective, three-judge court.

An independent counsel named under the law has never had an open-ended mandate and, despite warnings that the operation involving arms sales to Iran and aid to the Nicaraguan rebels will prove to be just the tip of the iceberg, it seems unlikely that any outside prosecutor in this case could expect carte blanche.

Some special prosecutors of modern times who brought any indictments were the men who investi-

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## Law Allows Limits On Scope of Inquiry

By George Lardner Jr.  
Washington Post Service

**WASHINGTON** — The Reagan administration's decision Tuesday to request that a special prosecutor investigate the Iran weapons deal and diversion of profits to Nicaragua rebels hardly guarantees an unbiased inquiry into the affair.

Critics of the Ethics in Government Act, under which the prosecutor will be named, say the law has so many restrictions and limitations that it could impede a thorough investigation.

Six special prosecutors have been named since the law was enacted in 1978. All six operated in secrecy, under the jurisdiction of a three-judge court that has never

held a public hearing and keeps its records in a walk-in safe.

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Some special prosecutors of modern times who brought any indictments were the men who investi-



William J. Casey

have said we didn't do anything illegal."

He later admitted to "one exception," which he said was a shipment sent to Iran "in our interests."

## Reagan's Rating Plunges in U.S. Poll

By Richard J. Meislin  
New York Times Service

**NEW YORK** — President Ronald Reagan's overall approval rating has plunged to 46 percent from 67 percent a month ago, amid deep concern over his administration's arms deal with Iran and the diversion of funds to Nicaraguan rebels, according to a New York Times-CBS News poll.

The decline is the sharpest one-month drop ever recorded in a public opinion poll in measuring approval of a president's job performance, according to Andrew

Kohut, president of the Gallup Organization. Presidential approval polling began in 1936.

The poll, conducted Sunday, found that a majority of Americans believe that the Reagan administration is "covering up" the facts of its arms deal with Iran. A majority also believes that the incident is at least as serious as the Watergate affair, which toppled President Richard M. Nixon in 1974.

A majority of the 687 adults questioned by the poll said they also said they believed that

the president and senior administration officials knew that money from the sale of arms to Iran was being used to aid the "contra," as the Nicaraguan rebels are known.

The respondents voiced that view despite repeated public assertions by Mr. Reagan and top members of his administration that they had been unaware of the matter.

The poll marks the first time that approval of Mr. Reagan's job performance has fallen below 50 percent since the recession of 1982 and

the president and senior administration officials knew that money from the sale of arms to Iran was being used to aid the "contra," as the Nicaraguan rebels are known.

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Foreign Minister Stanislav Porez denied Iran was involved in diverting funds to Nicaraguan rebels, Page 11.

## RELATED ARTICLES

- The new national security adviser, an experienced foreign service officer, is a model civil servant who takes "the high ground" with his bosses. Page 6.
- H. Ross Perot, the billionaire, contributed millions to U.S. ransom attempts. He said Lieutenant Colonel Oliver L. North had asked him to supply the money. Page 6.
- Guerrilla groups in Afghanistan and Angola may have received funds from the weapons sales to Iran, according to U.S. officials. Page 11.
- Prosecution of 17 for plotting Iran arms sales was approved while the United States shipped arms. Page 6.
- The defense secretary said the National Security Council's role was sorting out policy views. Page 6.

## A Worsening Stalemate Confronts Polish Leader

By Jim Hoagland  
Washington Post Service

**WARSAW** — Five years after he declared martial law to break the most sustained political revolt mounted in Communist-ruled Eastern Europe, General Wojciech Jaruzelski faces a worsening political stalemate in Poland.

Addressing more than 100 foreign journalists at a special press conference here Monday, the Polish leader appeared defensive and somewhat bitter that a full amnesty announced in September has failed to create broader support for his political normalization program.

His efforts to obtain political support for the amnesty program that are intended to stabilize the country have centered on the church. General Jaruzelski appeared to hope that the release in September of all political prisoners would entice the church into cooperating with the consultative council he has tried for months to create.

But the church has refused to cooperate, privately demanding that the government allow free elections and begin negotiations with Lech Walesa, the leader of the Solidarity union movement.

On Monday, General Jaruzelski said for the first time the possibility that the government would negotiate with the Solidarity union movement. The Polish leadership showed more flexibility on political issues.

## Protest to Sweden

The Swedish ambassador to Poland was summoned to the Foreign Ministry on Tuesday to receive the Polish government's formal protest to the Solidarity union movement. The protest followed an announcement on Monday by General Jaruzelski that a Swedish truck driver had been caught Sunday at the Polish border with the shipment of 84 copying machines.



As an overturned car burned in New Delhi, a policeman stood ready to arrest.

## Street Clashes Spread in New Delhi

1,500 Are Arrested in Protests of Punjab Bus Massacre

By Steven R. Weisman  
New York Times Service

**NEW DELHI** — Anti-government protests spread through parts of New Delhi again Tuesday, leading to occasional violent clashes with the police and at least one confrontation between Hindus and Sikhs.

More than a dozen persons were injured, but there were no killings as part of the protests.

The protesters, who were agitating for a second day against the massacre in Punjab of 28 bus passengers by Sikh extremists on Sunday, also forced the shutdown of stores, offices and transport service

in New Delhi, and in the states of Punjab and Haryana.

About 1,500 persons were arrested during the day, most of them detained temporarily. The arrested persons were largely members of the opposition National People's Party, a leading opposition party, who were violating a ban on public demonstrations.

In the western and eastern sections of the capital, large crowds tried to stop traffic in some cases, they set fire to buses or to houses and shops. The police tried in the air and used tear gas to disperse the crowds.

Meanwhile, the political situa-

tion in the northern state of Punjab grew more uncertain as the state police arrested three prominent Sikh elected officials on charges of having links to the Sikh extremists.

In addition, the police arrested more than 150 activists in the main Sikh student organization, which has also been linked by investigators to terrorist activity. Spokesmen for the group in Amritsar said that many of their leaders had gone underground to avoid arrest.

One of the officials arrested, Prakash Singh Badal, a former chief minister of the state, now heads a

## Chirac Calls on Western Europe To Draw Up Own Security Charter

By John Morrison

**PARIS** — France, citing worries over the Reykjavik talks, called Tuesday on Western Europe to agree on a new security charter to defend its interests.

Prime Minister Jacques Chirac, in making the appeal, expressed concern that "decisions vital to the security of Europe could be taken without Europe really having any say in the matter."

Speaking to the Assembly of the Western European Union in Paris, Mr. Chirac urged France's allies to adopt what he called a "Western European charter of security principles on defense."

A senior French official said Mr. Chirac had conferred with President Francois Mitterrand before making his initiative, which he said would give new scope to cooperation on defense.

The WEU, grouping France, Britain, West Germany, Italy and the three Benelux nations, has been overshadowed for years by the North Atlantic Treaty Organization and the European Community, to which all of its members also belong.

During the past two years member governments have been making efforts to revive it.

Mr. Chirac listed five principles for the proposed charter:

- Continued reliance on nuclear deterrence.
- Continued and disarmament policies geared to meet an overall threat posed by nuclear, conventional and chemical weapons.
- Maintenance of a strong European defense effort, including the French and British nuclear deterrents.
- Disarmament efforts aimed at reducing armaments by realistic and verifiable agreements.
- He said agreement on such prin-

ciples might help the Atlantic alliance. "Our American allies in their negotiations with the Soviet Union, would know they could count on a solid consensus of European opinion on the major principles of our common security," he said.

And finally, he would make the U.S.S.R. more aware of the reality of an increasingly united Western Europe, even on defense issues.

Mr. Chirac made it clear that the impetus for his speech came from the lack of concern for Western Europe's interests at the U.S.-Soviet talks in Reykjavik in October.

The scope of the proposals put forward by both sides at the Reykjavik summit in October seemed to shake the very basis on which our conception of U.S.-Soviet relations is founded," Mr. Chirac said.

He said that the so-called "zero

See CHIRAC, Page 2

Jacques Chirac

## Unilever to Buy Pond's Of U.S. for \$3.1 Billion

By Warren Getler  
International Herald Tribune

**LONDON** — Unilever, the British-Dutch consumer-goods giant, has become another entry in the growing list of European companies expanding by buying a large U.S. company.

Unilever, through its Dutch affiliate — Unilever NV — agreed late Monday to buy the U.S. personal care, food and chemicals concern, Chesebrough-Pond's Inc., for \$72.50 a share, or a total of \$3.1 billion in cash.

The move reflects but another expansion in the U.S. market by European companies seeking to boost their North American operations at a time when, among other factors, the weak dollar has made

acquisitions there relatively more attractive by making them cheaper.

On Nov. 10, Hoechst AG, a West German chemicals group, agreed to acquire Celanese Corp., one of the world's largest fiber producers, for \$2.85 billion.

Other major European forays into the U.S. market this year include the acquisition by the West German publishing group, Bertelsmann AG, of Doubleday & Co. for \$475 million and two purchases by the diversified British conglomerate, Hanson Trust PLC, SCM Corp. for \$900 million and last week's \$200-million acquisition of Kaiser Aluminum Co.

And Nestle SA of Switzerland, another food conglomerate and a

See UNILEVER, Page 17

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## Aide Advised Nixon To Skip King Rites

### 1969 Memo Is Among Those Released

By James R. Dickenson and Sidney Blumenthal

WASHINGTON — President Richard M. Nixon was urged by a top White House aide, Patrick Buchanan, not to visit Coretta Scott King on the first anniversary of her husband's assassination because it would "outrage many people who believe Dr. King was a fraud and a demagogue and perhaps worse."

In a 1969 memo, Mr. Buchanan wrote of the Reverend Martin Luther King Jr., "Others consider him the Devil incarnate."

Mr. Buchanan's memo is one of about 1.5 million pages of Nixon administration documents made public Monday by the National Archives, the first of more than 40 million such documents held by the archives.

Another 1.5 million pages, known as "special files," are being withheld from the public pending adjudication of claims by former Nixon aides that their release would violate national security, executive privilege and personal privacy.

The documents released Monday also reveal that Mr. Nixon and his aides had ambivalent feelings about the vice presidency in general, and former vice president Spiro T. Agnew in particular.

Mr. Buchanan, now director of communications for President Ronald Reagan, argued against Mr. Nixon's visiting Mrs. King on the ground that "Dr. King is one of the most divisive men in contemporary history."

"King's personal background is a scandal, one, if we can believe our friends in the Bureau," Mr. Buchanan wrote, speaking of the FBI, "and should the president be paying public tribute to him, and should the truth become known, we could wind up with egg on our face."

In the end, Mr. Nixon did not visit Mrs. King, but sent a note of sympathy.

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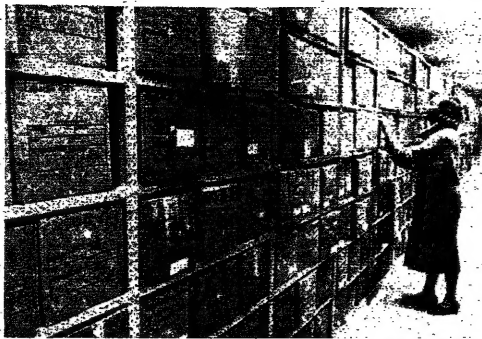
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A National Archives employee examined boxes containing some of the Nixon documents.

involved a high degree of sensitivity, he did not want Mr. Kissinger's side, Colonel Alexander M. Haig Jr., "to waste his time" on briefings, "particularly where Agnew is concerned."

One offensive memo, dated Jan. 31, 1973, was sent by Mr. Nixon to Donald T. Regan, then the chairman of the Merrill Lynch investment house and now White House chief of staff:

"Dear Don: Many, many thanks for the specially designed cuff links, the matching suspenders that you gave to Vice President Agnew for me when he attended the recent Merrill Lynch luncheon. I am particularly pleased by your warm gesture of friendship in remembering me so thoughtfully as I begin my second term in office."

Among those who sought favors from Mr. Nixon, according to the files, was Elvis Presley. A meeting between the rock star and the president was chronicled by a Dec. 21, 1970 memo written by an aide, Epi Krogh Jr.

According to the memo, "Presley indicated that he thought the Beatles had been a real force for anti-American spirit." Mr. Nixon agreed and "indicated that those who use drugs are also those in the vanguard of anti-American protests."

Another Krogh memo, on Jan. 27, 1972, recorded the singer's request to Mr. Nixon for a badge

Dr. James D. Watson, co-discoverer of the structure of DNA, or deoxyribonucleic acid, the molecule that controls genes, and co-winner of the 1962 Nobel Prize in Medicine, said in a recent speech, "Twenty years ago I said we'd understand cancer in five or 10 years. Now I'd say, 'In 30 years.' It won't be fast. But it won't be 300 years. We will understand it."

Shorter Talks: There were 3,850 work-related deaths in the United States in 1985, or 10 more than in 1984, but because the work force increased from 79 million to 81 million, the rate per hundred thousand dropped from 4.8 to 4.75. • Nine American workers in 10 like their jobs and 6 out of 10 think they are paid fairly, according to a Merit General-Associated Press telephone poll. The survey included spouses.

—ARTHUR HIGGINS

## Chun Foes May Quit Assembly

The Associated Press

SEOUL — The main opposition party lawmakers threatened Tuesday to resign en masse from the National Assembly after governing party legislators met on their own and passed a 1987 national budget.

All but 2 of the 90 lawmakers from the New Korea Democratic Party's submitted letters of resignation to the party's president, Lee Min Woo. He did not immediately send the letters to the assembly speaker, and the party was discussing what action to take.

The opposition party had refused to act on the budget Monday and demanded that the governing Democratic Justice Party apologize for the police having forcibly blocked a New Korea Democratic Party rally on Sunday. The government refused.

The rally was called to demand constitutional and democratic reforms. Tens of thousands of police sealed off the rally site and used tear gas against demonstrators who tried to gather in the street.

The assembly session Monday was repeatedly disrupted by shouting exchanges between the two parties. Early Tuesday, the Democratic Justice Party's 148 legislators

passed the \$17.85-billion budget by unanimous voice vote in a private session.

It was the second consecutive year that the party of President Chun Doo Hwan, which holds a majority of the assembly's 276 seats, approved the budget without the presence of the opposition.

The New Korea Democratic Party had urged cuts in the budget, which is up 13 percent from 1986 and anticipates increases of up to 20.3 percent in taxes.

Hong Sa Duk, a spokesman for the New Korea Democratic Party, said the unilateral action "cannot be tolerated by the people."

Choi Yong An, of the Korea National Party, another opposition group, called the governing party's move a "reckless act in outright denial of parliamentarism."

"There is no need for the present regime to exist for the people any longer," Kim Dae Jung said later. "We will fight to bring an end to the regime since it lacks the capacity to act in a democratic manner in the assembly."

## AMERICAN TOPICS

### More Deadbeat Dads Are Paying Support

Child-support payments by divorced fathers are up following passage of a 1984 federal law, but not up enough, authorities say. The law requires each state to pursue parents, 90 percent of whom are fathers, who delinquent in payments. Money must be deducted from the parent's paycheck if payments are late months behind, and states that do not pay money from reluctant parents risk losing federal public-assistance funds.

As a result, the magazine U.S. News & World Report says, lists of the "100 worst fathers" have been circulated not only for criminals, but for parents who are far behind in their payments. Milwaukee recently rounded up 109 men in a single sweep.

The U.S. Census Bureau says that in 1983, only half of 4.4 million families entitled to child support received the full amount, and one-fourth received nothing.

In 1985, the first full year the law was in effect, state enforcement officials collected a record \$2.7 billion in support payments, a 13-percent increase from the previous year but not enough to end the problem.

Nonpayment of court-ordered support, says Attorney General Joseph Lieberman of Connecticut, is "the most widespread indicator of lawlessness in this country."

Short Talks: Ed Zechin, the Republican congressman who was defeated last month for a Senate seat from

### Ed Zechin

California by the longtime Democratic incumbent, Alan Cranston, has all but announced that he will run for the Senate again in 1992, when the 72-year-old senator's term expires. Mr. Zechin, 46, does not plan to oppose California's other senator, Pete Wilson, a fellow Republican, in 1988. A 1992 campaign, he said, is "my first thought."

Residents of Douglas, Wyoming, have voted 491-138 in an unofficial referendum conducted by the local weekly newspaper, The Douglas Budget, to keep a full-scale, \$1,200 reproduction of an Old West saloon on display as a tourist attraction. The saloon, built as part of the town's centennial celebration this year, had been scheduled for demolition.

—ARTHUR HIGGINS

### FINLANDIA

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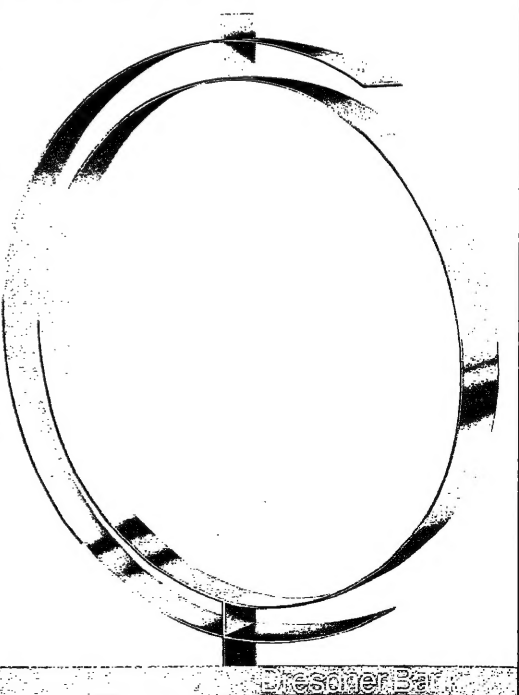
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## Lebanese Hold Strike Over Economy

United Press International

BEIRUT — Most of Lebanon observed a one-day strike Tuesday to protest the country's economic problems, as fighting continued between Shiite Muslim militiamen and Palestinian guerrillas.

The Shiite Amal militia, using Soviet-made T-54 tanks, attacked the Palestinian refugee camp of Chatila, the least defended of West Beirut's three refugee camps, for a second consecutive day Tuesday to force the guerrillas to surrender, military sources said.

But the Palestinians in Chatila, encouraged by the capture of the strategic Christian village of Maghdoush in southern Lebanon, held their ground.

In renewed fighting around Maghdoush, a hilltop village that overlooks Palestinian camps in the provincial capital of Sidon, five persons were killed and 12 were wounded, hospital sources in Sidon said, 25 miles (40 kilometers) south of Beirut.

The casualties Tuesday raised the toll of more than five weeks of warfare between Amal and the Palestinians to 279 killed and 893 wounded, the sources said.

A one-day general strike called by several trade unions to protest

the inflation rate and falling value of the Lebanese currency paralyzed most areas in Lebanon on Tuesday. The Lebanese pound has depreciated by 300 percent this year.

In a rare show of solidarity, Christians and Muslim areas closed their schools, shops, banks, and businesses. Beirut International Airport also halted operations.

Meanwhile, an American Mission describing President Ronald Reagan as a "terrorist" and blaming his administration for the hostage crisis, said he was hopeful of a solution after meeting with the spiritual leader of the pro-Iranian Hezbollah, or Party of God.

But the apostrophe, who earlier had said that he was trying to secure the release of at least one American hostage by Christmas, acknowledged the difficulties facing his mission.

Mohammed Mehdi, 52, secretary-general of the New York-based National Council of Islamic Affairs, met the Hezbollah leader, Sheikh Mohammed Hussein Fadlallah, to discuss his mission.

—ARTHUR HIGGINS

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## OPINION

## Will They, After the Furor, Let Reagan Be President?

By William Safire

WASHINGTON — Look into the crystal ball. The president will appoint a prestigious and independent chief of staff to replace the embattled Don Regan. Paul Laxalt and Howard Baker spring to mind; Drew Lewis might have problems with the acid-rain matters in the concurrent Denver investigation. Tined to follow quickly on the naming of independent counsel, and coupled with the announcement of a new national security adviser to replace the scuttled Vice Admiral John F. Bunker, this will give the president the appearance of contrition impelled by a fresh start.

Fresh resolutions by hard-digging reporters will give the scandal new impetus. The subject has achieved lift-off, and a bloodstain is in the air during December, every major media organization will compete to get credit for the triumph over another scandal-bedecked White House. The Pulitzer Prize cannot be awarded to the newspaper in Beirut that first broke the arms-sale scandal, but it is a consolation prize.

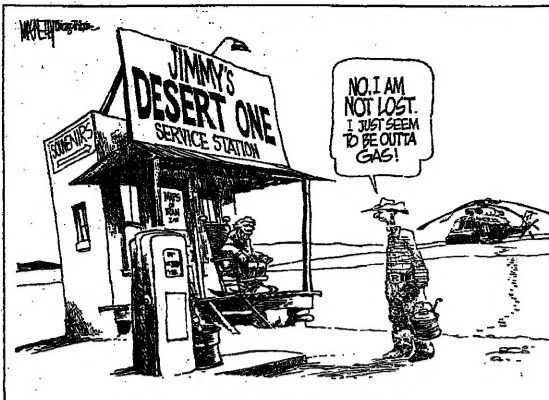
The Democratic Senate will appoint its select committee in January. Fervid hearings will ensue. A "household name" will be created. The scandal itself is not a scandal. It is a political event. The Democratic chairmen are pushing Sam Nunn, but Joe Biden's supporters are pushing him. Biden's supporters are pushing him. Biden's supporters are pushing him.

## Loose Talk of an Auto-de-Fé

ON THE QUESTION of changes in the president's staff, we are adopting a medieval position. We ask for an auto-de-fé, the ceremonial execution of the heretic. In a parliamentary government, the prime minister probably would resign if he lost a vote of confidence. The problem here involves the mystical invulnerability of the sovereign. Short of impeachment, he stays in power, and his throne must be kept shining, so how, in the circumstances, to effect the reprimand?

If Sen. George Shultz were to resign, his gesture would be heroic indeed, given his opposition to the Iran plan. When he resigns, it is whether he and others have professed their resignations, which Mr. Reagan has turned down. That is a grossly modest and loyal human being; it is against his nature to dismiss subordinates for cause. He is a man who is not for or against a plan that didn't work out. So what do we learn? Merely confirmation of the fact that often good men are not great leaders.

— William F. Buckley Jr.



## The Inimitable Cary Grant, Charm's Classy Front-Man

By Tom Shales

WASHINGTON — Before there were class acts there were real class. That is what Cary Grant had. If it was an act, it was world-class acting. Perhaps some other actors could have been in the 72 films he made, but no one could have been better at playing Cary Grant. He did it to our delight and, we would like to think, to his.

Archibald Alexander Leach (his real name) continued in the role of Cary Grant until he died in 1986.

## MEANWHILE

Grant will appear making his last movie, "Walk, Don't Run," in 1986. At social affairs, sports events or state dinners, he always had the gaiety, the charm, the Cary Grant gleam. Whatever else went wrong in the world, that stayed right.

He seemed still to have it in his last television appearance. I aired on CBS the night after Cary Grant died, of a heart and massive stroke, in Vancouver, B.C. "All Star Party for Clint Eastwood," a charity gala, had been taped earlier in Hollywood, and Mr.

Grant was there to read Mr. Eastwood a congratulatory telegram from Ronald and Nancy Reagan. He was introduced as "the man who defines charm." That did not sound like overstatement.

On the special, he looked to be in good spirits and good health, but he did not stand as straight as he once did. At 82, Cary Grant was threatening to turn into an 82-year-old man. Imagine. He has now been "bearded" the humiliation of a public infirmity. Yet all he had good reason to hope and believe that he would overmuch.

His television appearances were rare. They could have been more frequent if he had agreed to accept more awards. Dangle it though they did, the officers of the American Film Institute could never get him to accept their Life Achievement trophy. Insiders think it was because he knew he would have to give a speech, and the thought of that appalled him. He did accept one of the Kennedy Center Honors, in 1981, but for that one, honorees do not have to speak.

Cary Grant spurred reporters to appear on talk shows, too, but in his final years he toured with an understudy of his own. "A Conversation with Cary Grant," and that was what had brought him to Vancouver. At such appearances he would sit on a stool and answer questions from the audience and show a few minutes of clips from his movies.

At one of these, he was asked how he started out in films. "I pretended to be somebody I wanted to be," he answered, "and finally, I became that person. Or he became me."

What we got from the silver screen in its golden age was a better world, one that needed better people in it. Cary Grant always came across as one of the best. The image still shines when reduced to the television screen. He is not just a gleam and a smile in these pictures. He is someone you would like to know.

He remained a screen set symbol for three decades, probably longer than anyone else, and he did it without ever making an explicitly sexual movie. Pauline Kael wrote in 1976 that a key part of his staying power was the fact that he often played the one seduced rather than the seducer. "Being the pursued does make him seem weak or passively soft," the critic wrote. "It makes him glamorous and, since he is not as available as other men, far more desirable."

Cary Grant left the movies in part to spare us the pain of seeing him grow old. Yet he remained ideal and youthful, even with a head of white hair and thick glasses. Now that he is gone, one might say, does someone else get to be Cary Grant? No. It doesn't work that way. There was only one.

But the one there was appears to have had a smacking time.

The Washington Post.

## LETTERS TO THE EDITOR

## The Real Risk to Europe

Regarding the opinion column "The Three Pillars of Europe's Security" (Nov. 14) by Christoph Bertram:

Perhaps we should form Amnesty International-style groups to liberate political prisoners and journalists like Mr. Bertram from the prisons of their outmoded thinking before they think us into submission. Mr. Bertram detects that risk as the "basis of European security" has come "under siege" — not by an enemy but by the hope that nuclear arms and armies might be reduced.

To anyone not bewitched by the shroud of this thinking, it is clear that Europe today is more insecure than ever and that the real risk lies in continuing the superpower arms race.

The West could eliminate 90 percent of its nuclear arms and still be able to destroy every major Soviet city. The superiority of the Warsaw Pact in conventional warfare is also a myth; any reasonable quantitative analysis is more than offset by the West's qualitative advantages, the higher mobility of its armed forces and by the fact that many Warsaw Pact soldiers do jobs that are done by civilians in NATO.

Ten years ago, "liberal" West German journalists like Mr. Bertram regarded Ronald Reagan's belief in the far-right "New Look" as a relic of the past. Today they, with their governments, are pressuring President Reagan to abandon his disarmament proposals at Reykjavik. Never has the moral and intellectual bankruptcy of

West European politicians and opinion makers been more obvious.

JAKOB VON UEXKÜLL  
Alternate Member for the Greens  
in the European Parliament.

## The Maiming of Angola

Jonas Savimbi's troops, supported by Pretoria, plan land mines where they will terrorize Angolan civilians. By this indiscriminate violence, his National Union for the Total Independence of Angola, or UNITA, hopes to force the downfall of Angola's government. Because the government needs help to fight Mr. Savimbi, Angola is host to 30,000 Cuban troops, a fact that President Reagan cites as the reason for supporting on supplying AWACS planes to Pakistan. Yet it is the U.S. payroll that keeps it alive.

If UNITA stopped its guerrilla war and South Africa dropped its spurious claim to Namibia, the Cubans would be recalled. They would be, that is, unless the American oil companies operating in Angola pleaded for their continued presence. In what must be one of the most convoluted side effects of Reagan politics, oil men in Angola hope that Fidel Castro will keep his troops in place. Without them, UNITA saboteurs would surely target the pipelines that are now so profitable to U.S. oil interests.

While aid to Mr. Savimbi was debated recently in the U.S. Congress, I was in Angola visiting the Red Cross Centro Ortopedico in Huambo and

meeting children maimed by the mines. Smiling proudly, legless boys and girls demonstrated how well they have mastered walking on their broomstick wooden legs fitted with wooden feet. Last year there were 1,200 such cases, according to the doctor in charge of the hospital. This year there are expected to be at least 1,200 more.

JOHN P. DUNFEY  
Hampshire, New Hampshire.

## Stick With Pakistan

Sally Harrison's theme in "South Asia: AWACS Is Bad Politics" (Nov. 26) is based in the endless search of progressive Washington analysts to get non-aligned India on the right track. His consideration of a modified U.S. stance on supplying AWACS planes to Pakistan is laughable. Why hurt bona fide security relations with America's only ally on the subcontinent for a "shot in the dark" with fickle Indian diplomacy? What assurances does the United States have that Prime Minister Gandhi and company are establishing a new pro-American, anti-Communist stance? In my opinion, none.

India has allowed the Russians to occupy Afghanistan with no public criticism. And Mr. Gandhi, during the recent visit of Mikhail Gorbachev, reportedly approved a ban on public demonstrations by Afghan refugees and imposed house arrest on Afghan refugee leaders in New Delhi.

India has prospered from the pres-

## The Friend Had a Name

Regarding the feature "The Queen for Czarina's True Nature" (Nov. 20):

I was delighted to read an article dedicated to Mr. Revdell, whose words, especially his brilliant "History of Impressionism," are admired and constantly used by us at our art school in Aix-en-Provence. I was disappointed, however, that Mr. Revdell's "German painter friend" mentioned in the article, was not given a name. That friend was the artist and Czarina, Les Marchais. It was he who, in Mr. Revdell's own words, "helped the young art history student I was to discover the Russians to modernism." I was to discover the Russians to modernism with no public criticism. And Mr. Gandhi, during the recent visit of Mikhail Gorbachev, reportedly approved a ban on public demonstrations by Afghan refugees and imposed house arrest on Afghan refugee leaders in New Delhi.

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WILLIAM WEYMAN  
Director, The Marchand School,  
Aix-en-Provence, France.

## General News

## Gunmen Kill Prominent Activist Near Pretoria

By Alan Cowell

JOHANNESBURG — Gunmen reportedly wearing hooded shirts and killed a prominent anti-apartheid activist and his wife Monday night in a township near Pretoria, the authorities said Tuesday.

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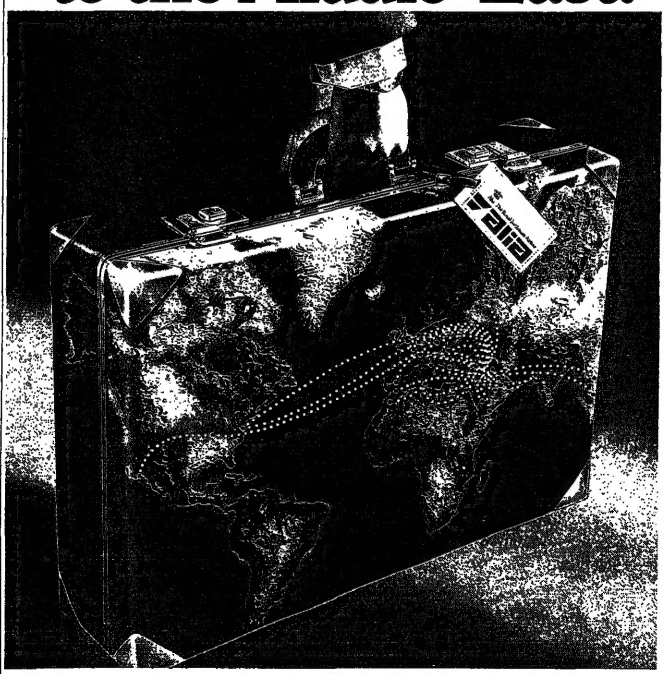
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## Again, Taipei Stops Return Of Dissident

By Keith Richburg

MANILA — Taiwan's best-known opposition figure, Hsu Hsin-ling, was stopped from returning to the island after a two-day visit to the Philippines, the island's foreign ministry said Tuesday.

Hsu Hsin-ling, a leading figure in the Democratic Progressive Party who has been in exile in the United States since 1980, was attempting to return to Taipei for a political comeback before this weekend, when Taiwan will hold the first two-party election in its 37-year history.

His promised return to Taiwan had posed a dilemma for both the ruling Kuomintang, or Nationalist Party, and his own party, a liberal party to disrupt the country's cautious passage from a authoritarian rule and martial law to a form of officially sanctioned democracy.

Officials of the ruling party feared his potential to mobilize a wide following for his advocacy of declaring Taiwan independent.

Yet Taiwan officials feared that arresting Mr. Hsu, who is wanted on addition charges, could make him a political martyr while tarnishing the ruling party's plans for "democratization" of the island after a generation of one-party rule.

Mr. Hsu was stopped at a Taipei airport on Monday when a Hong Kong-based activist refused to fly the same plane as Mr. Hsu, who was flown to Manila and took the Philippine Airlines flight.

Mr. Hsu, once a leading figure in the Democratic Progressive Party who has been in exile in the United States since 1980, was attempting to return to Taipei for a political comeback before this weekend, when Taiwan will hold the first two-party election in its 37-year history.

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# Italy: A New Industrial Age

## IN THE NEWS

### Feb. 10: Mafia Trial Begins in Palermo

Under a barrage of publicity and the vigilance of 2,000 security guards and paramilitary police, the trial of 468 alleged Mafia members opens in Palermo, Sicily. The trial, which heard charges in 97 sittings, is linked to a narcotics trial in New York.

### March 21: Wine Producers Arrested in North

Two wine producers are arrested on charges of involuntary multiple homicide after five persons died after drinking wine adulterated with methyl alcohol. The wine, bottled by a company in the Aosta region of northern Italy, claimed its official death toll of 22. The scandal forced Italy to temporarily suspend wine exports and led to the arrest of 19 people.

### May 3: New Lira Note Drops The Zeros

Prime Minister Bettino Craxi's cabinet agrees to introduce a new lira worth 1,000 lire in today's currency. Under the proposed change, which is expected to go into effect early in 1987, the current 1,000-lira bank note, worth 67 cents, would become one lira.

### June 24: Coalition Parties Gain in Sicily Voting

Italy's governing coalition wins an overwhelming majority in Sicilian regional elections while the opposition Communist Party loses ground. With 38.8 percent of the vote, the Christian Democrats maintained their position as the largest party in Sicily, but the results did not clear the feud between Mr. Craxi, a Socialist, and Craxi de Mita, the leader of the Christian Democrats, the largest party in the coalition.

### June 26: Key Ballot Is Lost by Craxi

The government of Prime Minister Bettino Craxi loses a crucial vote on a local-government finance bill. The Chamber of Deputies vote, by 293 to 266, came on a few-ballot in which many members of the five parties in the governing coalition abandoned party discipline to vote against the government, the longest lasting in Italy since World War II.

### Aug. 26: Socialists Agree To Rotate Prime Ministers

The Socialist Party agrees to alternate the prime minister's office with the Christian Democratic Party, resolving a month-long political crisis. Under the agreement, Mr. Craxi will remain prime minister until the Socialist's national congress in March 1987. On Aug. 9, Mr. Craxi's new government won a confidence vote in the Chamber of Deputies by 352 to 227.

### Sept. 20: Italians Join SDI Contracts Bidding

Italy becomes the fourth U.S. ally to join President Ronald Reagan's plan to develop a space- and land-based anti-missile shield. By an agreement with the U.S. Defense Department, Italian companies are eligible to bid for research contracts on the Strategic Defense Initiative.



A quiet canal cuts through the heart of Milan's "zona dei Navigli" district.

## Milan Canal District Revives

By Kate Singleton

MILAN — Up until the 1950s, the Milan docks handled a greater annual goods tonnage than such coastal ports as Palermo in Sicily, Piacenza in Tuscany or Brindisi in Puglia. For inner-city visitors to Milan, this fact is surprising because the city is neither on the sea nor a river. Indeed, a common complaint about the place is that it is suffocating. It towers upon its visually because it lacks a course of water running through it.

The explanation is that for centuries Milan was served by a network of canals whose construction and engineering were a point of enormous civic pride. Most of these have now been covered over.

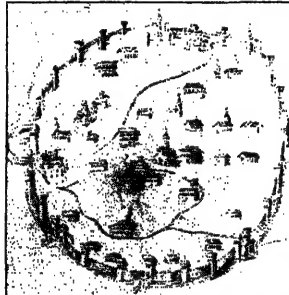
However, one area remains where the water still flows open to the sky. This is called "le zone dei Navigli," a "naviglio" is a navigable canal. The zone dei Navigli is on the southwest side of Milan, between Porta Genova and Porta Ticinese, and is one of the liveliest parts of the city.

The Milan Duomo and the Navigli both claim a special place in the hearts of the Milanese. And, in fact, the two landmarks are intimately linked. For although the city's oldest canal was the most that surrounded the ancient nucleus of the city, it was only made navigable in the 15th century, when a moat had to be found for bringing the marble used for building the cathedral from the quarry north of Lake Maggiore to the site in the center of the city.

The stone was transported down the Tose River, then down the Ticino from which the Naviglio Grande derives and along this canal for a total of 62 miles (100 kilometers). The operation called for the construction of a number of locks. Leonardo da Vinci, during his first stay in Milan (1482-1499), was directly involved in designs for these major feats of engineering.

By the mid-16th century, the Milanese canal network consisted of the original inner circle, which was connected on the north side with the radial canal called the Martesana, built around 1460 for both navigational and irrigation purposes, and on the south side with the incoming Naviglio Grande and the outgoing Naviglio Pavese. A number of smaller ditches were connected to these main arteries.

Although at the turn of the last century goods transport along



Sketch by Pietro del Massajo made in 1456, showing the original network of Milan waterways.

these waterways was at its height, the Milan canal system as a whole had already begun its decline. The inner circle started to be covered over in the 1880s. The water sank, and it was held that goods could just as well be unloaded and stored at the docks on the south side of town, where the Naviglio Grande and the Naviglio Pavese meet. The inner circle was functionally obsolete.

This meant that the north and south of the city were no longer

Continued on page 10

## Impoverished Palermo Struggles With Mafia Image

By Sari Gilbert

PALERMO — There are almost no stores in the Sperone-Rocella neighborhood of Palermo and the residents of this dilapidated, low-income outlying area generally make the morning bus journey to the downtown central business district. Markets are not the only thing in short supply along this section of the Corso dei Mille thoroughfare, an area known for its domination by Mafia gangs, a neighborhood where the mafia, or omertà, is still normal for 13-year-old girls and where women with seven or eight children of their own are grandmothers at 30.

Here, as elsewhere in Palermo, there are few jobs. The manhole covers from the neighborhood's streets have all been stolen and sold as scrap iron. Garbage lies uncollected by the roadside. Concrete bleachers stand unused in a lemon grove that was meant to be a soccer field. And nearby are the burned-out shells of a recently built nursery school, kindergarten and social center, all destroyed by youths whose parents generally cannot afford to ask questions when they come home with unexplained extra money.

Part of the generally less-developed Italian south, Sicily has long lagged, economically, behind the rest of Italy, and the island's per capita income of about 7 million lire (\$5,000) compares unfavorably with the national average of 10 million.

But after years of domination by organized crime, Palermo is in a particularly tragic state. Despite its population of more than 700,000, in terms of income it is the 80th city in Italy. An estimated 85,000 people are officially unemployed, meaning probably that unemployment is higher.

"The economy of Palermo has been negatively influenced by the Mafia, particularly by the illicit narcotics trade," said Leoluca Orlando, 39, a reformist Christian Democrat who

There's a war on among the poor.

has been mayor since August 1985. Last February, when an unprecedented trial of 468 suspected Mafia members opened here, Mr. Orlando instructed lawyers acting for the city to file a civil suit demanding as yet unspecified damages from the criminal organization.

"There is no doubt that incalculable harm has been done to the city's economy and prestige," said Mr. Orlando, who will soon be called upon to testify at the trial on this issue. He said the fight against the Mafia must also be seen as a fight for ordered and modern economic development.

"How much more tourism would we have had if the Mafia had not damaged our city's image?" he said. "How many more businesses would have been set up if people didn't have to worry about paying protection money to criminals? The weight of the Mafia on our economy has been enormous."

IRONICALLY, however, some Palermitani have gotten the impression that, in the short run at least, the crackdown on the Mafia actually may have hurt the local economy. Although most people here have limited income, the proceeds from a narcotics

trade estimated at millions of dollars have artificially pumped up consumption to close to the national level. And with dozens of local businesses behind bars or at least under investigation, most of the city's construction companies are temporarily out of business.

"The trial of the Mafia is ruining the city," complained Angelo Giordano, 31, a part-time truck driver who said work has been scarce since the police stepped up action against organized crime. And the administration's move last spring to take city maintenance contracts away from local firms rumored to have too many skeletons in their closets led to demonstrations by construction workers.

"The Mafia Provides Jobs" and "Long Live the Mafia," read the signs that the protesting workers carried. The fact is that many local

Continued on page 10

## 'Second Economic Miracle'

## Profound Changes Underlie the Boom

By Henry Tanner

MILAN — A quiet revolution taking shape over the past few years has transformed the economic landscape of Italy and caused a "remarkable turnaround" in the fortunes of hundreds of enterprises, mostly in the north, according to leading businessmen and economists here.

The boom is not confined to the well-publicized names like Fiat, Olivetti, Pirelli and Benetton, the sensationally successful clothing manufacturer, but extends to a wide range of small and medium-sized companies, many of them family owned, which have been propelled into a new era of prosperity and expansion.

Many of these companies have completed, or embarked on, ambitious restructuring programs to improve their competitiveness. They have modernized equipment, increased productivity, expanded production, revised management procedures, invented new products and improved old ones and found lucrative niches in foreign markets.

Italy is narrowing the gap that separates it from the industrial powers of northern Europe. Next year, according to European Community predictions, its growth rate will be substantially better than those of Britain, West Germany and France. Although the government deficit refuses to come down from astronomical heights and the unemployment rate remains high — 10.6 percent of the labor force — and even though an unusually long-lasting labor peace may collapse during the current countrywide labor negotiations, optimism in business circles is prevailing.

Some of the public-sector companies belonging to the huge conglomerates, IRI and ENI, once known for their loss-making capacity, inefficiency and obedience to rival political clans, have begun to show profits.

The Milan stock market, which until recently had been little more than the private club of a select handful of major capitalists, has attracted more than a million new investors, many of them small savers, since it was reorganized at the start of last year.

In addition to bringing in large numbers of small investors, the reorganization has enabled Italian companies to loosen the grip of the banks on whom they had been forced to rely for their financing in the past, according to Franco Piga, the head of Consob, the market's regulatory agency, and one of the architects of the "new" bourse.

So compelling have the new financial habits become to Italians of the most disparate social and political backgrounds that even L'Unità, the organ of the Communist Party, has taken to printing the daily stock tables.

A new style of capitalism has been created, at least in the northern part of the country, say businessmen and financial writers. Business has become attractive to so many young Italians that

the country's leading business schools, in spite of recent expansions, are turning away thousands of would-be entrepreneurs and managers each year. While conceding that the fall of the dollar and the collapse of the oil price, which is of prime importance in a country that imports more than 80 percent of its energy needs, have contributed massively to the new boom, Italian economists insist that the most interesting feature of the recent expansion lies in the fact that it is the result of a basic, and therefore lasting, restructuring of the economy.

"This is not a passing phenomenon; it is a basic transformation, and the new industrial and financial structures that have been created are here to stay," said Gianni Locatelli, the editor in chief of

Italy is narrowing the gap that separates it from the northern industrial powers.

Il Sole-24 Ore, Italy's leading business daily which — because of the new climate — is growing faster than the rest of the press.

"We have shown that we are a modern country and that we have an open economy, and there is no way that this can be turned back," Mr. Locatelli said, adding that the transformation of the Italian economy will continue but at a less rapid rate than in the last two years or so.

"Northern Europeans still have this cliché image of Italy as a lazy Mediterranean country which is not quite part of Europe; the cliché has been wrong for a long time," said a British banker living here.

Some of the leading experts see clouds over the future, however. A warning voice was raised by Romano Prodi, the highly successful head of IRI and a distinguished economist in his own right. Writing in the daily La Repubblica, he pointed out that the new economic miracle was due largely to financial expansion and growth in the service sector while overall industrial production is still not higher than in 1980, according to the national industrial index. "This fact has not caused sufficient alarm," Prof. Prodi wrote, warning that Italy could not afford the mistakes of the United States and Britain.

The start of Italy's "second economic miracle," the first being the post-war boom, dates to the day in

Continued on page 10

# Banque Indosuez in Italy.

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**BANQUE INDOSUEZ. A WHOLE WORLD OF OPPORTUNITIES.**

## State Sector's Success Hinders Privatization

By Dalbert Hallenstein

**R**OME — Privatization in Italy is proceeding with increasing difficulty. The main cause is an upsurge of political interference, partly provoked by a remarkable recovery over the past five years of the state industrial sectors controlled by Italy's two main state holding companies, the Istituto Riccostruzione Industriale (IRI) and the Ente Nazionale Idrocarburi (ENI), the national energy authority.

Until four years ago, both groups were in disastrous economic condition. Now, after an impressive turnaround which closely parallels the recovery of Italy's private sector, certain state companies and conglomerates are economically attractive that negotiations for their privatization have become paralyzed by political bickering aimed at steering them into the portfolios of party allies and friends.

Political interference in the 1960s and early 1970s was the key factor that brought the state sector, formerly a highly successful component of the Italian economy, to the point of ruin. In the mid-1960s, the state holding groups and their thousands of subsidiary companies began to be considered the virtual property of the governing political parties. For years, management was appointed on the basis of political loyalty and vast funds were drained off to finance the various parties.

During the economic crisis of the 1970s, hundreds of bankrupt and failing companies were absorbed into the state holding groups to

guarantee jobs and electoral votes. This process accelerated so much that yet another state holding company, the Ente di Gestione delle Aziende Pubbliche (EGAM) was created to absorb the flood of ailing companies.

In 1976, four years after it was founded, EGAM went bankrupt. It was by then employing 33,000 people, having been forced for political reasons to absorb dozens of companies in difficulty. The repercussions from the EGAM debacle can still be felt today.

IRI, ENI and another smaller state holding company, the Ente Partecipazioni e Finanziamento Industrie Manifatturiere (EFIM), were forced to absorb EGAM's debt-ridden companies, though all were themselves on the verge of collapse. But the law that abolished EGAM permitted, for the first time, the alternative of either liquidating companies or privatizing them.

The politicians, too, began to change. In 1981, the Ministry of State Participations issued a white paper setting out guidelines for privatization. The state holding companies were permitted to sell off those sectors regarded as "nonstrategic" or of marginal importance. "Strategic" sectors included telecommunications and military weapons systems controlled by IRI and most of the major energy and service industries in ENI.

The areas earmarked as nonstrategic for privatization include farming, textiles, food processing and certain small chemical and mechanical companies. The 1981 white paper also

encouraged a greater participation of private finance in state-controlled companies.

Even more important was the appointment of two of Italy's most outstanding economists, Romano Prodi and Franco Reviglio, to the chairmanships of IRI and ENI. When Prodi took over IRI in November 1983, it was losing 2,734 billion lire (\$1.9 billion) a year. By the end of this year, Italy's and Europe's largest state holding company should finally be out of the red (IRI's 1,000 companies employ half a million people and control 35 percent of Italian heavy industry, 70 percent of the steel industry and three of the five major trading banks).

Last year, IRI made a continuing attempt to introduce private capital into Italy's most powerful merchant bank, Mediobanca, controlled by IRI banks. A major political row broke out, which is still brewing. An attempt to privatize a large agricultural complex near Rome airport also failed. The politicians were only interested in the speculative value of the agricultural land, which, if used for housing, would be worth hundreds of times the sum IRI intended to privatize it for.

But it was not until last May that Italy's political parties decided openly to veto Mr. Prodi's attempt to act autonomously from political pressure. IRI had announced that it had come to an agreement to sell its food conglomerate, Società Meridionale Finanziaria (SMF), for almost 500 billion lire to Carlo De Benedetti, the chairman of Olivetti and owner of Breda Peregina, another big food company. Prime Minister Bettino Craxi claimed that the

price was too low and that the sale should be made on the basis of competitive bidding. A series of counter offers were made by consortiums put together haphazardly by the various political groups, but more than a year later, SMF is still owned by the state.

The decision last month to sell Alfa Romeo to Fiat, rather than to Ford, is an apt example of privatization. Alfa Romeo, with its huge losses — 240 billion lire in 1985 — had only two possibilities, to go into liquidation or to be bought out. Unlike SMF or the other state companies offered so far for privatization, it had not been successfully restructured and made financially sound before talks began.

The other two state holding companies, ENI and EFIM, have privatized only a very limited number of their marginal activities.

Since the SMF/De Benedetti row, privatization at IRI has definitely slowed down. So far this year, there have been no more than two or three privatizations. IRI, like its sister state holding group, ENI, is now concentrating on attracting additional private capital into its more successful concerns. By the end of this year, government-owned companies will have raised an estimated \$4 billion over the past three years through public share offers. In 1985 alone, IRI raised 2.6 billion lire in this way.

Many of the new IRI and ENI shareholders are foreign.

DALBERT HALLENSTEIN, a journalist based in Milan, is a contributor to *The Sunday Times* of London.



Carlo De Benedetti, chairman of Olivetti.

## The Renaissance of Olivetti

**I**VREA — When Carlo De Benedetti became deputy chairman and managing director of Olivetti in 1978, he was transforming the ailing business-machine company into a flourishing information-technology multinational, he was accused of "bull in a china shop" brutality for his tough economic measures and sacking of employees.

Five years later, when the company had been restructured and was booming, and AT&T acquired a 25-percent share for \$260 million with an option of a further 15 percent in 1989, the accusation was that he was selling out the company to foreigners to increase his own personal financial fortunes.

Although Mr. De Benedetti's business empire, ranging from chocolate to publishing, is now estimated to be worth at least \$1 billion, there is as yet no evidence that he intends to hand over control of the company to AT&T. In fact, one of the clauses in the Olivetti/AT&T agreement was an undertaking that Mr. De Benedetti should stay on as chairman until at least 1995.

The Olivetti of 1986, more than 13,000 employees lighter, is now run by a team of highly efficient senior managers who are mainly survivors of Mr. De Benedetti's era. In 1985, Olivetti's consolidated net income rose by 41.5 percent and shareholders' equity from 22.5 percent to 23.8 percent. Profit was approximately 470 billion lire (\$335.8 million). Turnover in 1985 was 6.14 trillion lire, up by 34.1 percent.

The real miracle of the Olivetti renaissance, and the parallel revival of Italian industry, is not so much the presence of such corporate entrepreneurs as Carlo De Benedetti, who have always existed on the Italian industrial and financial scene, but the arrival of a new generation of world-class managers. With a few exceptions, such as Fiat and Ford, Italian companies, including Olivetti, have tended to decline when success and expansion placed too much strain on first- and second-generation family-based management. There was simply no alternative to family management due to the lack of an Italian corporate management tradition. All this has now changed.

Management emphasis is now on Olivetti as a worldwide entity. "To be a great international and European corporation, it is no longer sufficient merely to be an Italian company concentrating on exports," said Vittorio Leri, Olivetti's operations vice president. Apart from the partnership with AT&T, with its enormous financial, technological and marketing advantages, the company has followed a policy of strategic takeovers.

"There will be other takeovers in the future," Mr. Leri said. "The fact is that we have to participate more and more in the various local realities if we are to succeed in understanding the local and highly specialized needs of our various international clients. Otherwise, we will be cut out of the great international government and industrial deals and contracts."

Apart from such relatively long-term research as computer video recognition in the main European languages, much of the research is directed at systems integration.

Systems integration, the ability to link, to interface all the systems now offered in the field of information technology, is of vital importance to the future of Olivetti, according to Bruno Lombardi, the company's vice president of corporate, economic and market research.

The development of software and of services such as value added networks, offering access to files and electronic mail, for example, is therefore of prime importance in current Olivetti development plans. The company is about to create a global link-up, offering instantaneous visual, aural and data transmission among all its research laboratories. This will be a working model for its systems integration program.

In the present world economic climate, software offers more business growth possibilities than the production of hardware, in which profit margins decrease daily as more South-east Asian companies enter the field. But Olivetti is full of confidence, despite a small 3 percent drop in gross profits growth in 1985.

Dalbert Hallenstein

## Communist Platform Urges 'Democratic Alternative'

By John Phillips

**R**OME — When Alessandro Natta was elected secretary of Italy's Communist Party on June 24, 1984, political experts predicted that another leader with more popular appeal soon would replace him.

More than two years later, Mr. Natta, 68, is still clutching the reins of the long-running Communist Party in the world. But offices at its imposing headquarters in the Via delle Botteghe Oscure (Street of the Dark Shops) are decked with blow-up photographs of Enrico Berlinguer, the charismatic party secretary who died in 1984, rather than of Mr. Natta.

Communist officials admit privately that the party still has to recover from the death of Berlinguer, who led the Eurocommunist breakaway from Moscow on such foreign policy issues as Soviet intervention in Afghanistan and the suppression of the Solidarity free labor union in Poland.

Luciano Lama, the 66-year-old former head of the Communist-led General Union of Italian Workers (CGIL), was widely seen in 1984 as sufficiently popular to fill eventually the leadership vacuum. But so far, the pipe-smoking moderate seems happy to serve under Mr. Natta. And there are no other obvious candidates for the moment, although Achille Occhetto, Mr. Natta's No. 2 man, is beginning to be mentioned frequently.

Publicly, Communist functionaries ignore or downplay the importance of personality politics in their opposition to Socialist Prime Minister Bettino Craxi's government. "Natta is pursuing a set of policies that will survive him if and when another comrade is elected," one militant said.

Mr. Natta outlined the Communist program during a keynote speech Sept. 14 at the annual festival organized in Milan by the party newspaper, *L'Unità*. Political commentators said his strategy may cause some serious headaches for the dominant Christian Democrats in coming months. But they doubt it will produce any lasting problems for them or their allies. Mr. Natta basically appealed to the Socialists to join forces with the Communists and form a "democratic alternative."

"The Socialist Party has to realize that by shifting to the center, it has only favored the recovery of the Christian Democrats," Mr. Natta said.

Berlinguer first called for the "democratic

alternative" with the Socialists after the kidnapping and murder of Christian Democratic statesman Aldo Moro by Red Brigades terrorists in 1978 spawned the death knell for the notion of a "historic compromise" between the nation's two biggest parties.

The Communists hope they may have more luck in courting the Socialists now. Mr. Craxi is known to be unhappy about the prospect of handling over the prime ministership to the Christian Democrats next spring under the terms of a deal to resolve a squabble in the five-party coalition. And Mr. Craxi's No. 2 man, Claudio Martelli, started speculation that the Socialists could be shifting to the left when, in the aftermath of the Chernobyl nuclear disaster, he called for a moratorium on the construction of nuclear power stations and the phasing out of such plants already built.

In European Parliament elections in June 1984, the Communists for the first time overtook the Christian Democrats, registering 33.3 percent of the vote against 33 percent for their principal opponents. But they returned to second place in local and administrative elections in May 1985 and lost a referendum they sponsored to try to prevent government reform of the wage-indexation system known as the *scala mobile*, a major cause of inflation.

Alfred Reichlin, the party spokesman on economic affairs, has criticized the government for, as he sees it, lacking a long-term strategy on the economy. But with inflation falling and

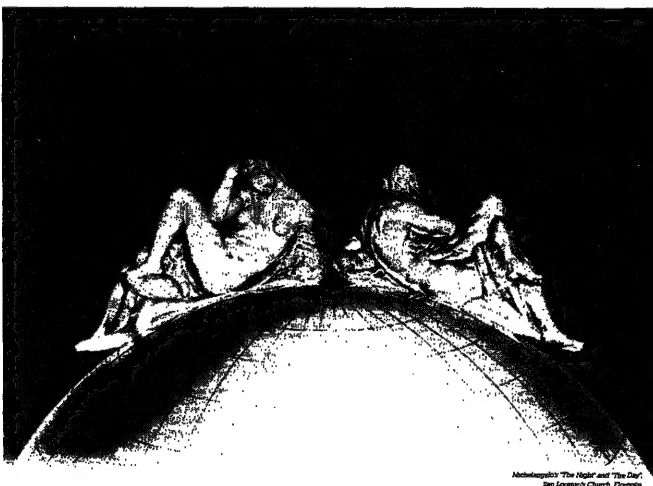
stock market prices soaring, it seems unlikely such criticism will win the party many new followers. Even *L'Unità* has apparently conceded that the recession is over in Italy and has started printing share prices for investors among its readers.

In its present disarray, Italian Communism is hardly a bonfire of Eurocommunism, which, in the sense of producing close collaboration among Communist parties in Western Europe, has been lagging for more than five years.

The 18-day "Festa dell'Unità," held in Milan's Sempione Park, included debates with speakers such as Silvio Berlusconi, the private television entrepreneur, Nerio Nesi, the chairman of the Banca Nazionale del Lavoro, and Defense Minister Giovanni Spadolini, a leader of the Republican Party. Large companies paid to act as sponsors of the 39-million extravaganza.

In his closing address, Mr. Natta laughed off a scandal that erupted in August, when *L'Unità* published a cartoon series called "Tango," making fun of the mid-career party secretary. One showed Mr. Natta, naked, dancing a tango grotesquely. Foreign Minister Giulio Andreotti, a Christian Democrat, scribbled a *Volia* and Mr. Craxi, wearing a Fascist uniform, played an accordion.

JOHN PHILLIPS is a journalist based in Rome.



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## Clean-Up Campaign ■ Workers' Concerns ■ Travel Promotion

## Rome's Ruins Get a Facelift

By Sari Gilbert

**R**OME — In Rome, September Sundays are generally seen as occasions for those last precious days of summer sun, preferably at the beach. But this year some 6,000 Romans spent two Sundays in the city participating in an unprecedented — and much-needed — "clean-up our monuments" campaign sponsored by the Rome daily *Il Messaggero*.

Armed with rudimentary straw brooms, heavy-duty gray plastic garbage bags, rubber gloves and, where necessary, gauze masks, the legion of amateur street sweepers fanned out through the city, trying to clear the refuse surrounding the Baths of Caracalla, Piazza Navona, the Campidoglio and the Colosseum.

They collected about 36 tons of garbage, including empty soda cans, gum wrappers, used syringes and prophylactics and unguilty weeds. And, at the same time, they delivered a powerful reminder to the five-party administration that despite a lot of rhetoric, the powers that be have been sorely neglecting the most valuable parts of Rome's priceless historical and artistic heritage.

Governing the Eternal City in recent years has proved an arduous task for anyone. When it was voted out of office in 1985, a Communist-Socialist administration that had been in power for 10 years was roundly criticized for allowing the city to deteriorate.

Indeed, to many it seemed as if the leftist government's major accomplishments had been an ambitious outdoor summer entertainment program that made the night-time Rome street scene one of the most lively in

Europe, implementation and broadening of a system of political decentralization that new exists in most Italian cities; and support for a vast restoration plan that left many of the city's ancient monuments covered with scaffolding.

But little progress had been made in the gritty-gritty cleaning of the city and ending its traffic-clogged arteries, and in ridding it of the public, unsightly storefronts that have been making their appearance throughout the historic center. In recent months, the scaffolding has been removed from several monuments in and outside the Roman Forum, and after being shut for more than two years, the ground floor of the Villa Borghese museum has been reopened.

In general, however, 18 months after a Christian Democratic mayor took office at the head of a coalition of Christian Democrats, Socialists, Social Democrats, Republicans and Liberals — the same alliance that runs the country at the national level — the situation appears largely unchanged.

The most that can be said, however, is that many plans for urban development are now in the works, at least on paper. Mayor Nicola Signorile has promised that the expected approval later this year of a new national appropriations bill for city governments will provide Rome with 25 billion lire (about \$18 million) for building a new business center in the eastern part of the city and for improving Rome's trade fair and convention facilities.

Furthermore, after a violent controversy over the recent opening in central Piazza di Spagna of Rome's first McDonald's, new measures are being planned to preserve the city's classic facades against an onslaught

of trendy modernization. The relatively understated McDonald's, which took over the premises of a traditional coffee bar, was followed by the opening of a pink-tiled Big Burg one block away on the grounds of a turn-of-the-century cafe.

A law sponsored by a city councilor, Oscar Mancini, a Republican, and currently under discussion by the Italian parliament would prohibit landfills in the historic centers of Italian cities from ending premises used by traditional stores and restaurants to high-front fast-food joints and clothing outlets.

In addition, a new Rome city ordinance has placed 54 squares and streets in the central area off limits for the flashy white snack trucks that serve ice cream, pizza and sandwiches to tourists and that in the future will be allowed to operate only in city parks and outside Rome's ancient Aurelian walls. A campaign is also being planned to remove unsightly neon advertising signs and banners from the center.

Traffic and city transport, however, remain Rome's major problem. A new 9:30 A.M. store opening schedule is designed to ease rush-hour traffic, and recently, work has begun on the much-needed repaving of many central streets. But despite the administration's pledge to close most of the historic center to private traffic, the absence of a fully developed subway system is bound to remain a major urban handicap for the Italian capital.

As it stands now, the *Metropolitano* consists of only two lines, the A and the B, which intersect at the central train station. Vast areas of the city remain unserved, and future projects are still pure theory and conjecture.



This statue in the Roman Forum and many of the city's ancient monuments are covered by scaffolding.

## Message Aims to Lure Missing U.S. Tourists

**R**OME — The images flicker briefly over the television screen: illuminated fountains brighten the Roman night, an American family eats ice cream during a rehearsal of a Verdi opera in Florence, an older couple embraces in a gondola on a Venice canal and a giggling nun with eyeslashes eats spaghetti at an outdoor restaurant.

The television commercial, which on Sept. 29 made its first of 1,200 appearances on American TV screens in 10 cities, lasts only 30 seconds, but its message is clear. Deeply concerned by the massive decline in U.S. tourism to Italy over the last year, the Italian authorities have begun a major promotional effort to persuade Americans frightened by terrorism and put off by a falling dollar to reschedule Italy in their vacation plans.

"Italy, there's more to it," is the theme of an educational, press and trade campaign designed to last for the next six months. Financed jointly by ENIT, the Italian government tourism agency, Alitalia, the state airline, and the Federazione of Italian Hoteliers, with lesser contributions from American Express and the Banca Nazionale di Lavoro, the \$5-million campaign will seek to convince U.S. travelers that, as the TV ad puts it, "No other country gives you so much to see, to hear, to feel and to eat."

In numerical terms, Americans represent only a small fraction, between 4 percent and 5 percent, of the 20 million foreigners who visited Italy in 1985. But a 50-percent decline in the overall number of Americans has soared to as high as 50 percent in some areas of the country.

The fact is that despite their relatively reduced numbers, expenditures by the 1.84 million Americans who visited Italy last year represented a hefty 17 percent of the income from foreign tourism. ENIT chief Gabriele Moretti estimates that the stay-at-home trend, which has cut American tourism everywhere in Europe this year, could cost the Italian economy as much as \$3 billion in lost income.

Particularly hard hit are the country's luxury and first-class hotels. In Florence, hotel occupancy by Americans fell by 67 percent between January and July of this year. In Venice, the figure was 62.5 percent. In Rome, last year visited by 750,000 Americans, there were 63 percent fewer U.S. travelers.

Alitalia, which last year counted some 160,000 Americans among its 8.3 million passengers, in recent weeks has been flying nearly full, having picked up some of the slack from American carriers abandoned by clients fearful of hijackings and bombs. But last spring the state-owned company suffered thousands of cancellations and was forced to cut newly instituted direct flights to Boston, Chicago and Los Angeles.

We were able to utilize this capacity on other routes," said a spokesman for the marketing section of Alitalia. "But we nevertheless calculate that we have had losses of about 14 percent because the expanded passenger traffic we had counted on failed to materialize."

However, unlike Italy's hotels and restaurants, the airline appears to be making a concerted effort to sweeten, economically, the prospect of Italian travel. Starting in November, they will be offering a week in Italy (airfare, airport pickup and delivery, first-class bed and breakfast) for \$699.

Also hurting are all sorts of shops and service industries. Business is down by about 50 percent, said the owner of Ulogia, a low-price accessories shop in central Rome, who said Americans were among his biggest clients.

The decline in American tourism that began in the aftermath of the October 1985 Achille Lauro cruise ship hijacking and mushroomed after the Christmas massacre at Fiumicino airport and the bomb explosion aboard a Calo-Athena-Rome TWA flight in March came as a rude shock to Italian tour operators.

Last year was a banner year for the Italian tourism sector, bringing close to \$43 billion into Italian coffers.

Furthermore, while they were aware the dollar was overvalued, no one expected it to drop as far and as fast as it has, to the current rate of about 1,400 lire. In general, many Italian tourism officials appear convinced that the dollar's sharply reduced value — since the beginning of the year it has declined by close to a third — may be the major reason for American avoidance of European and Mediterranean travel.

Others put the blame on President Ronald Reagan's statements last January regarding foreign travel and the fear created by recent terrorist actions directed at Americans. None of the TV commercials, magazine advertisements or travel brochures related to the campaign will directly address the issue of terrorism or security.

But since the Rome airport massacre on Dec. 27, security at Fiumicino has been sharply tightened and more severe visa requirements have also made entry by some foreigners, particularly Middle Easterners, far more difficult.

The downswing in American tourism, however, has focused attention on the Italian tourism industry as a whole. A recent report commissioned by the government points out that, as far as prices are concerned, Italy can no longer compete with Spain, Turkey, Yugoslavia and Greece in a Mediterranean destination. Between 1983 and 1985, the prices of hotels, restaurants, cafes, taxis and ferries all increased by about 25 percent, while tourist prices by 31 percent, car rentals by 48 percent, and trains by 17 percent. Luxury hotels, which count Americans among their major customers, increased prices by 21.5 percent in the same period.

Angelo Bettino, president of the Italian Hoteliers Federation, admits that the country's luxury hotels are no longer competitive. "But," he said, "Italy is no longer a bargain in terms of prices, it is still one in terms of what there is here to see and do."

Sari Gilbert

## Union Militancy Yields to Reform as Old Ideals Fade

By John Phillips

**R**OME — Strikes are at their lowest level in Italy for a generation and labor unions face a crisis of membership because of the shift in the nation's industrial structure away from manufacturing toward service industries.

Union militancy seems a thing of the past. The unions even agreed last year to reform in the scale mobile sliding-scale wage indexation system that was a major cause of inflation.

Militancy has been on the wane since Fiat's president, Gianni Agnelli, won a confrontation with leftist unions in 1980. Today's unionists appear to accept that some sacrifices are necessary to stimulate the economy.

They have started turning away from their traditional concerns of wages and employment and taking up new issues, such as the need to boost efficiency in state-run services. More

often, not, the men at the top of the big three labor union federations — the Communist-led General Union of Italian Workers (CGIL), the Christian Democracy-linked Italian Federation of Labor Unions (CISL) and the Socialist-oriented Italian Workers Union (UIL) — are college graduates trained in management techniques. In their designer suits and neckties, they sometimes seem indistinguishable from their traditional opponents in the business of making money.

Unemployment is still a major concern for the  *sindacato*. But the welfare state has cushioned layoffs by providing *assegni inaspettati* — rare-birded unemployment payments amounting to 80 percent of normal salary.

Unions also appear more docile about automation and the use of robots. Fiat, the largest private company in Italy and the Italian automobile producer in Western Europe, led the way at its Turin car plants. Other companies have followed.

The three union federations have all suffered a decline in membership among active participants in the labor force in recent years, although the CGIL's total membership has increased, owing to an influx of pensioners.

Union officials attributed the decline above all to a change in employment structure between industrial sectors with relatively more people in services than before and fewer in manufacturing.

Work stoppages have also fallen off dramatically. For example, Sebastiano di Giacomo, a researcher at the Interim union studies group, said 145,000 hours were lost through strikes between 1970 and 1975 but only 90,000 were lost over the period 1976 to 1981.

Against this background, some union leaders have expressed concern that they might become superfluous to Italian society unless they seek new areas to recruit from and pursue new objectives.

"If unions do not change, they will end up

surviving — and that is all," said Vittorio Foa, a 75-year-old veteran leader of the Italian labor movement. "The fact is that the unions have grown old and will have to be changed totally."

Mr. Foa said. "Now that the great ideals of transformation through socialism have gone into decline, we have to cultivate those of civilization, of the advance of social and civil values and of increasing the overall efficiency of the democratic system in the service of every citizen," he said.

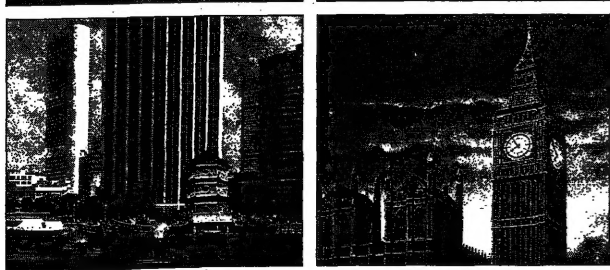
Giorgio Benvenuti, the secretary-general of UIL, took note. He has gone so far as to say that state employees who repeatedly *oate* taxpayers' money should be fired — an unthinkable statement by a union man in Italy before.

"The innocence of the workers, that the union used to take for granted, now has to be proven," Mr. Benvenuti said.

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## Nervousness Marks Eurolira Market

By Dalbert Hallenstein

**R**OME — Nervousness dominates the Italian Eurolira market. For the past four months growing uncertainty about the future of major currency interest rates has had a negative effect on investors.

Yet, as far as recent Italian-denominated Eurolira issues are concerned, investors have continued to show a notable confidence in the Italian economy, which has passed through a major transformation over the past five years, becoming one of the world's most dynamic economies.

"Much of the confidence of foreign investors," said Mario Mauro, head of the Eurolira department of the Istituto Bancario San Paolo in Turin, one of Italy's major bank, "also comes from Italy's increased political stability and from the newly acquired strength of the Italian lira."

Italy has also benefited from recent decline in energy costs, coupled with the fall in the value of the dollar. The present confidence of ordinary Italian investors, as witnessed by the recent Milan Stock Exchange boom, depends very much on these favorable and not necessarily long-term factors.

This revived Italian self-confidence is reflected internationally. Recent Republic of Ita-

ly issues have been received by international investors very favorably and include a five-year \$100-million October issue at 7 percent, which received a top AAA rating. Other recent successful issues include Benetton International in Deutsche marks, which was actually oversubscribed, Olivetti and Montedison International in Swiss francs and the Italian state railroads in dollars.

But nobody is expecting the final results of trading in Italian-denominated Euroliras for 1986 to be a repeat of 1985, which was a record year.

The fall in the value of the dollar has partly contributed to the present nervous market conditions. "But the effect of the fall in the dollar must not be exaggerated," said Mr. Mauro. "The effects of the weakness of the dollar have been less drastic than expected due to the great liquidity of dollars available on the Eurolira market that have to be invested."

"The real reason for the fall in investor enthusiasm for Euroliras of any denomination in the second half of this year," he said, "is that investors don't know what to do because they don't know if interest rates will go down or not. This is the inevitable result of the struggle between the United States and Germany and Japan over interest rate levels."

Yet, some investors have been hurt by buying Euroliras in dollars. A few of Italy's recently created mutual funds, which are per-



Confidence is behind the takeoff of the Milan bourse.

mitted to invest up to 10 percent of their portfolios abroad, have found that the lira's fall in the dollar against the franc had a distinctly negative effect on their corporate image.

To avoid such exchange risks, and to enlarge their borrowing framework, a number of large-scale, non-Italian companies operating in Italy have explored the new Eurolira bond market, opened only a year ago.

The decision to open up the Eurolira market was prompted by the desire of Italy's monetary authorities to internationalize the lira on for-

sign-currency markets, to help stabilize the lira exchange rate and to channel lira, now held abroad, back to Italy in the form of investments.

Based to a large extent on the French model, a system has been set up in which borrowers must first apply to the Treasury and the Bank of Italy for permission before launching an issue.

Originally, the Italian monetary authorities hoped to authorize at least one new issue a month, but in January of this year the authorization of new Eurolira issues was suspended for three months due to tightened monetary conditions on the Eurolira market, which caused Eurolira interest rates suddenly to soar to between 20 percent and 25 percent. With Eurolira bond coupons then at a rate of 13.25 percent, the market was temporarily killed off.

Issues began to be authorized again in April and have been well subscribed since then. So far, eight issues for a total of 725 billion lire (nearly \$118 million) have been made by such corporations as United Technologies, AT&T and PepsiCo. The first five-year issue (October 1985) had a fixed annual interest rate of 13.5 percent. The latest five-year issue, in October, offered a fixed interest rate of 10.75 percent.

Mr. Mauro is confident that the present reluctance of investors to go to Euroliras in general is "only momentary." But not all his colleagues in the Italian lead banks agree with him.

Ugo Romeo, deputy director of foreign securities at the Rome-based Banca Nazionale del Lavoro, Italy's largest trading bank, described the present Eurolira trading situation as "very much a day-to-day market."

Today, this part of town is distinctly chic, in a punchy, nonestablishment sort of way.

The price of real estate is going up, and those who invested in it a year or two ago have mostly made very profitable deals. In the historic center of Milan, apartments cost around 3 million lire (\$2,167) per square meter (10.76 square feet). Two years ago around the Navigli the price was nearer 600,000 lire a square meter. Now it has more than doubled.

Commercial investments are also proving to be a good thing. Proof of this is the success of the designer-cum-restaurant La Darsena (furnished apartments) in via Vigevano, which is patronized by young international fashion and music professionals.

Another sign of changing local demands is the burgeoning of sophisticated, innovative restaurants and bars, such as Decio Carugati and Acqua Sporca, both in via Vigevano.

KATE SINGLETON, a journalist based in Milan, writes about Italian culture, design and architecture.

## Changes Underlie Boom

Continued from page 7

1979 when Italy joined the European Monetary System, according to Claudio DeMaistis, the director of Bocconi, the country's most prestigious business school.

Until then, Mr. DeMaistis explained in an interview, Italian companies lived a charmed life. They were protected against competition from more efficient northern European industries by day-to-day de-facto devaluation of the lira, which limited the damage done by low productivity and poor management while the EMS devaluation became a politically costly government decision that was postponed as long as possible, leaving Italian companies vulnerable to foreign competition in the interval.

The period that followed, between 1979 and 1981, was one long, painful "moment of truth" for Italian industry, which found itself under tremendous pressure to tackle the problems of productivity, marketing, financing and corporate structure, Mr. DeMaistis said.

A large majority of companies rose to the challenge and embarked on basic restructuring programs. Mr. DeMaistis said. A survey he conducted together with his Bocconi colleagues showed, among other things, that 63 percent of private and public companies introduced innovative manufacturing processes between 1980 and 1984, and that fully 85 percent of them revamped their product lines by adding new products and dropping old ones.

The survey also showed what Mr. DeMaistis calls "a change in the entire cultural outlook" of Italian entrepreneurs. In the past, he said, successful medium-size companies, especially if they were family owned, were fearful of getting too large and tended to split vertically by spinning off new companies; now, these same companies are no longer afraid to grow but are willing to expand and bring in new activities.

Yet, more new businesses are being founded than ever before. Since 1982, the number of business starts in Italy has tripled every year, according to Mr. DeMaistis, an increase he calls "phenomenal."

With rising profits and easier financing, the use of high technology has multiplied in Italian industry. But only a limited number of firms are in the technological avant-garde internationally, on a par with industry leaders in the United States, Japan and northern Europe. The others are at the intermediate level technologically — "good followers rather than leaders," according to Mr. DeMaistis. So why are they so successful?

The answer given by Mr. DeMaistis and others is that Italian industrialists excel in flexibil-

ity and ingenuity. Many of them have found ways to customize their products and have created their own fertile niches in foreign markets.

One of the most recent examples of an Italian success in flexing his own style is Pininfarina, the industrial designer and manufacturer. In an arrangement that is novel in international automobile-making, the company has started to manufacture the body for Cadillac's new convertible, the Allante, in a specially built small plant next to the Turin airport. Three times a week, a chartered jumbo jet flies the entire production to Detroit, at the rate of 8,000 bodies a month.

A long period of unusually profitable labor relations has been an important ingredient of the new boom. When they came face to face with the reality of northern European competition upon Italy's entry into the EMS, Italian industrialists took on the unions.

Fiat, the country's largest privately owned company, resorted to mass dismissals in 1980 and got away with it. Other industries followed.

The unions were under pressure to acquiesce, partly because the political climate had diminished and partly because they wanted to protect existing jobs. In Rome, the political climate had changed when Giovanni Spadolini, a Republican, became the country's first non-Christian Democratic prime minister. His successor, Socialist Bettino Craxi, won out in a showdown with the unions and the Communists. When Italian voters, in a referendum, endorsed his decision to reduce the scale of automatic wage increases, under which wages had been growing faster than inflation.

Productivity in Italian industries, which has long been lower than in northern Europe, has improved in many sectors.

First, one of the most dramatic examples, productivity rose 14.4 percent per year in 1981. The present figure is 27.4 percent per year and growing.

But the period of labor peace may be about to end. Negotiations, that every three years, under way for contracts with more than 10 million industrial workers countrywide. The going has been rough so far. The employers want to preserve their newly won competitive edge. And the three main unions insist that it is time for industry to share the new prosperity with the workers. There have been scattered strikes.

In Rome, Prime Minister Craxi will step down next spring at the latest, under an agreement with the Christian Democrats. But the political climate has been deteriorating since this agreement was reached, and there may be anticipated national elections. The long-term political landscape is uncertain. And the country's second economic miracle is in for a test.

## Artists Help Revive Milan Canal District

Continued from page 7

connected by waterways. The days of the barge were over. Bridges disappeared, ditches turned into lanes, canals into streets and the way was laid for the automobile era.

Today the area mixes the old and the new. The canals are still visible, their banks lined with 19th-century warehouses, artists' workshops, houses of an almost rural nature with double courtyards embellished with wrought-iron balconies overflowing with geraniums. Yet the area has begun to be enlivened by some excellent and amusing new restaurants and bars, by trendy design and photographic studios and by that tangible freshness that is typical of an up-and-coming district in a major city.

As is often the case, artists were among the first to realize that the area had something to offer and were probably the catalyst in the change. Of course, for them the very existence of open waterways meant that the area had more and better light than most of Milan.

Angelo Barocelli, a sculptor, was not even particularly interested in the light. His studio in via Asciano Sforza, the road that runs alongside the Naviglio Pavese, used to be a blacksmith's forge. Hand metal rings for ring up horses hang on the walls, which are still blackened from the furnace.

Mr. Barocelli sculpts life-size horses out of layers of plywood that he has glued together. As he sands down the stylized rounded shapes, he can hear the water rubbing from the Naviglio through the ditch in his vine-bedecked back yard.

Time in this part of Milan has a meaning of its own. It is hard to believe that one is only a 30-minute walk away from La Borsa, the busy stock exchange.

When artists first started settling around the Navigli 10 to 15 years ago, they found inexpensive studio space in warehouses or workshops, but the area as a whole was rather down-at-heel. The canals needed dredging and attracted mosquitoes in the summer; many of the houses had been abandoned by their owners and were being rented to immigrant workers from the south who did not have the interest or the means to do the necessary repairs or restoration.

Then a few years ago, many of these buildings were put up for sale at moderate prices. By law, the actual tenants had first option. Some bought as an investment, made enough repairs to sell at a profit and then moved to the suburbs. Others sat tight for three or four years until they were evicted by the new owners.

In the meantime, the area was beginning to look up. Restored buildings, some with quite impressive neo-classical facades, rivetted the

district with a certain 19th-century dignity. Three years ago, one of the two metropolitan subway lines was extended to the area. The zona dei Navigli was close enough to the center for convenience and far enough away to maintain a character of its own.

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## Palermo Struggles Against Mafia Image

Continued from page 7

Residents are more concerned with economic survival than with crime.

"There's a war, on average, the poor," said Mariella Priolo, one of Palermo's six full-time social workers. She explained that if a

jobless resident in the Sperone-Roccetta neighborhood is given permission by a local boss to collect and read scrap cardboard, he will see that person not as a Mafia boss but as someone who has done him a favor.

"No one from the government has ever helped us," said Anna Coletti, a housewife who lives with her four children and unemployed husband in a rat-infested walk-up apartment in the Vucciria market. She said that whatever assistance she has gotten in recent years came from the Palermo Mission, a church group run by volunteers.

"These attitudes of bitterness or of nostalgia for the Mafia are the inevitable result of the government's failure to act," said Don Antonio Zito, a young parish priest.

Mayor Orlando agrees that the fight against the Mafia has created some additional economic problems and he has urged swift government action to avoid a pro-Mafia backlash. But, so far, he has been only moderately successful. Since the beginning of this year, the city has hired about 1,500 people and awarded new contracts worth 340 billion lire (\$242 million). But with only 1,500 employees, the city administration is seriously understaffed (Gotha, with a similar population, has 14,000 people on its rolls). Massive investments would be necessary to pump up the economy and make the sweeping urban repairs needed in the now-dilapidated historic center.

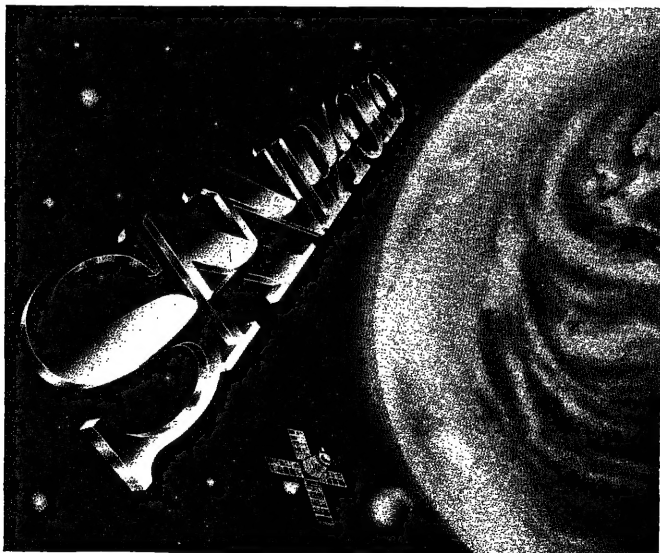
Attempts this September to save the city's soccer team from bankruptcy failed, meaning that the city's La Favorita stadium and its employees may be spending idle in the months, and years, to come. Mr. Orlando believes that the failed rescue of the team by a consortium of respectable local businessmen was symbolic of the problems the city faces. He attributes the case's negative outcome to the opposition of political groups fearful of losing their traditional control over the city.

"If the Mafia is to be defeated, there must be more of a general commitment," he said in a recent interview, among rumors that he is thinking he may have to resign. The mayor said the first year of his administration was dedicated to re-establishing Palermo's prestige, improving the local administration's contacts with Italy's national officials and giving it credibility.

"We succeeded in changing the rules of the game," he said, "but now we need support that will really allow us to win."

SARIE GILBERT is a Rome-based journalist who contributes to The Washington Post and The Boston Globe.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

Market Sales				
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			
NYSE 4 a.m. volume	231,600,000			

NYSE Index				
Composite	100.00	99.00	99.00	+1.00
Industrial	100.00	99.00	99.00	+1.00
Transportation	100.00	99.00	99.00	+1.00
Utilities	100.00	99.00	99.00	+1.00
Finance	100.00	99.00	99.00	+1.00

NYSE Closing				
Composite	100.00	99.00	99.00	+1.00
Industrial	100.00	99.00	99.00	+1.00
Transportation	100.00	99.00	99.00	+1.00
Utilities	100.00	99.00	99.00	+1.00
Finance	100.00	99.00	99.00	+1.00

AMEX Diary				
Composite	100.00	99.00	99.00	+1.00
Industrial	100.00	99.00	99.00	+1.00
Transportation	100.00	99.00	99.00	+1.00
Utilities	100.00	99.00	99.00	+1.00
Finance	100.00	99.00	99.00	+1.00

NASDAQ Index				
Composite	100.00	99.00	99.00	+1.00
Industrial	100.00	99.00	99.00	+1.00
Transportation	100.00	99.00	99.00	+1.00
Utilities	100.00	99.00	99.00	+1.00
Finance	100.00	99.00	99.00	+1.00

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

Dow Jones Bond Averages				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

NYSE Diary				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

Odd-Lot Trading In N.Y.				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

Dow Jones Averages				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

Standard & Poor's Index				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

NASDAQ Diary				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

AMEX Stock Index				
Vol.	High	Low	Last	Chg.
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00
1000000	100.00	99.00	99.00	+1.00

## NYSE Soars; Dow at Record

NEW YORK — Prices on the New York Stock Exchange surged Tuesday and the Dow Jones industrial average soared to a record high in heavy trading.

Traders said investors welcomed President Ronald Reagan's announcement that an independent commission would investigate the Iran arms scandal.

The Dow Jones industrial average jumped 43.33, to 1,555.57, crashing through the previous record of 1,519.71, set on Sept. 4. Gainers outnumbered losers by a 4-1 ratio.

The rise in the Dow was the third largest on record, surpassed only by a rise of 43.41 points on Nov. 3, 1929, and 43.10 points on March 11, 1986.

In the fourth-busiest session in Wall Street's history, volume totaled about 231.39 million shares, the heaviest trading since Sept. 12, when a record 340.49 million shares changed hands.

On Monday, 133.75 million shares changed hands.

"It's phenomenal," said Michael Metz of Oppenheimer & Co. "There's just a great deal of confidence in Reagan. Wall Street feels this misstep will not bring down his administration and will not permanently impair his ability to carry out his policies, of which Wall Street has thus far been enamored."

Harvey Willes of Suro & Co. in San Francisco, "The market has survived a lot of bad news and is fundamentally strong."

Stock prices began rising late Monday, largely on expectations that Mr. Reagan would act to curb the political damage caused by the Iran arms affair.

Traders said a strong bond market also helped stock prices Tuesday. Credit market investors analyzed a 0.6-percentage rise in the October Index of Leading Economic Indicators, reported early Tuesday, and decided that the economy remains too sluggish for the Federal Reserve Board to let interest rates rise.

Futures-related buying accelerated the gains. Growing optimism about the direction of stock prices caused stock-index futures to trade at a premium to their underlying cash indexes. This encouraged professional traders to sell the futures and buy stocks.

The NYSE consolidated active list was led once again by Chesapeake-Pond's, which rose 3 1/2 to 7 1/4. The company, which had been pursued in an unsolicited takeover offer by American Brands, announced Monday that it had agreed to be acquired by Unilever for \$72.50 a share. American Brands had offered \$66 a share.

IBM resumed its leadership of the Dow stocks as it rose 2 1/2 to 129 1/2. Traders said many Dow stocks were included in the baskets of some futures and managed and benefited from those trades as well as the market's overall positive posture.

In the banks, Citicorp rose 2 1/2 to 55 1/2, Morgan 3 1/2 to 88, Chase Manhattan 1 1/2 to 38 1/2 and Chemical Bank 1 1/2 to 46 1/2.

Insurance stocks, also sensitive to movements in interest rates, moved ahead. American International Group rose 2 1/2 to 62 1/2, Aetna 1 1/2 to 60 1/2, Chubb 1 1/2 to 64 1/2 and Travelers 1 1/2 to 65 1/2.

(UPI, Reuters, AP)



## Statistics Index

AMC Index	5.24	5.24	5.24	5.24	5.24
AMC Index/100	5.24	5.24	5.24	5.24	5.24
NYSE Index	7.12	7.12	7.12	7.12	7.12
NYSE Index/100	7.12	7.12	7.12	7.12	7.12
Current rates	7.12	7.12	7.12	7.12	7.12
Commodity	7.12	7.12	7.12	7.12	7.12
Interest	7.12	7.12	7.12	7.12	7.12
Other	7.12	7.12	7.12	7.12	7.12

WEDNESDAY, DECEMBER 3, 1986

## INTERNATIONAL MANAGER

Washington to Wall Street:  
Not the Easiest Transition

By MICHAEL SCHIRAGE

WASHINGTON — If the White House spokesman, Larry Speakes, who has friends in high places, wanted a lucrative post on Wall Street, finding one might be easier than saying "no comment" at the daily press briefing. But most government employees considering a shift will find the New York business community viewing them with lack of interest — if not outright disdain.

"I can't give you an example of anyone who's spent most of his professional life in Washington in government who's successfully made the crossover to the private sector," said Ted Jaddke, who has been with Heidrick & Struggles, an executive recruiting firm, for more than 10 years. "I'm scratching my head to think of one."

According to executive recruiters known as "headhunters," there is not much private-sector demand for people with a Washington government background.

"I don't think that government experience in and of itself makes the individual attractive to the business community," said E. Peter McLean, a headhunter with the Spencer Stuart firm. "It's quite uncommon to have public-sector experience included on the client's list of criteria when we do a search," said John Franklin of the Russell Reynolds executive search firm. "In fact, I can't recall the last time it was requested."

The headhunters should know. Corporate giants such as General Electric Co., Pan American World Airways and Citicorp increasingly rely on them to identify, hunt down and lure away the finest managerial talent. While the headhunters don't actually do the hiring, they faithfully reflect the priorities and concerns of their clients.

Although their unique positions give senior officials such as Mr. Speakes or David A. Stockman, former director of the Office of Management and Budget, a certain cachet, New York's corporate style usually depicts a profit-making ethic that normally is not found in people adept at rationalizing budget deficits.

S O long-term presidential appointees and civil service bureaucrats face a strong private-sector bias to the effect that, while intelligence and administrative skills are also, they are no substitute for the hard lessons learned in a for-profit world. "They have not been managing in a profit-loss environment," Mr. McLean said. "They're skilled at managing a budget — not a bottom line."

There are certain segments of Washington that do appeal to corporate recruiters, however. A high visibility position, plus its reputation as a workaholic, helped sell Mr. Stockman to Salomon Brothers. And Mr. Speakes' name and reputation for calm under pressure are rumored to be appealing to Merrill Lynch, although Mr. Speakes has said nothing about leaving the White House.

In addition, technical skills can be marketable. Alumni of the Internal Revenue Service and the congressional tax-writing committees, for example, can slide easily into six-figure positions at corporations and law firms.

Likewise, expertise in a trendy area can open doors. For instance, as banks have struggled to expand into regions and lines of business formerly — and perhaps still — forbidden, they and the law firms that have been locked out of Washington for people versed in the latest jargon of banking law.

But trends go both ways. "Human resources" experts, who were hot properties in the 1960s, and solar energy specialists, in the 1970s, are now in vogue.

See MANAGER, Page 17

U.S. Firm,  
Bull, NEC  
In AccordHoneywell Gets  
\$500 Million

Compiled by Staff from Department

MINNEAPOLIS — Honeywell Inc. said Tuesday that it had signed a memorandum of understanding under which it wholly owned Japan's Honeywell Information Systems computer unit would become jointly owned with the Matsushita Electric Industrial Co. of Japan.

The move, which had been expected for more than a year, would bring Honeywell \$500 million. The company said it would take a 40-million share charge against earnings in the fourth quarter, which will result in a substantial loss for the quarter and year.

The charge reflects the difference between the book value of the company's shares and the value of the shares Honeywell will receive from the other companies.

The new company, which will be owned jointly by U.S. European and NEC 15 percent, it was announced, Honeywell said it would have the option of reducing its holdings in the new company to 19.9 percent at the end of 1988.

The new company, to be named later, is expected to have annual sales of more than \$1.85 billion. Honeywell announced in September that it was interested in the arrangement, which would establish the first computer company owned jointly by U.S., European and Japanese partners. A definitive agreement is expected by the end of March and will be expected to be completed by June.

Under the arrangement, Honeywell will retain its Federal Systems division as a subsidiary. The division had 1985 revenues of \$230 million.

Honeywell expects to be the largest customer of the new company, which will supply computer systems and as a user of data processing equipment.

When a final agreement is signed, Honeywell said, it will receive about \$500 million, including \$250 million from the Matsushita and NEC.

See ACCORD, Page 15

## For Wall Street Firms: Think Global

Research on Securities  
Emerges as Key Strategy

By John Mehan

NEW YORK — For Ken Schager, the globalization of the marketplace is best illustrated by a foot-high pile of green and white booklets that rest on the coffee table in his lower Manhattan office.

There, the head of Merrill Lynch's international research team has piled his staff's output for the current year — an impressive collection of cash-flow analyses, earnings projections and tidbits on management styles for more than 200 companies around the world.

By his own admission, it is a crude measure. But for Mr. Schager, a tall man whose speech betrays only a hint of his Dutch origins, this stack of numbers statistics makes a point.

"When we started, a lot of our clients were puzzled. Wall Street wasn't viewed as a place to get information on foreign stocks," he said. "Now there is a realization that if you want to be a global stockbroker, you can't do it without saying something about the rest of the world."

Achieving a truly international voice is becoming increasingly important to Mr. Schager and his colleagues on Wall Street. As years of rhetoric about the global nature of financial markets gives way to hard fact, it has become apparent that when Wall Street talks about foreign markets, few listen.

U.S. investment houses are more eager than ever to overcome this shortcoming. For many firms, securities research is fast emerging as a key component in a global strategy that has so far been geared toward improving trading capabilities and enlarging sales forces abroad.

Wall Street research departments have long played a big role in drumming up brokerage business by providing the firms' clients with a steady stream of investment ideas. Given the high costs of going global, U.S. firms' trading desks need more business than they are getting now. The six foreign firms that have seats on the Tokyo market still account for only about one percent of the exchange's volume.

But research also attracts lucrative investment-banking transactions. Corporate chiefs generally seek merger and acquisition and underwriting deals to firms that demonstrate a detailed knowledge of their industry, and Wall Street is especially eager to whip up its foreign management now that the weaker dollar has whetted their appetites for U.S. assets.

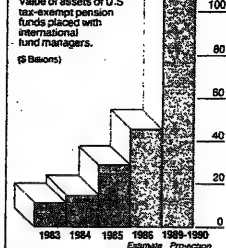
Quality analysts also can legitimize their role in domestic markets abroad. "We would like to provide the same kind of service to our clients as we do in the U.S.," said Mr. Schager, who is in charge of the research department at Salomon Brothers' international bank research.

Added James Davis, head of international equity sales and trading at First Boston Corp., "I would like to place the business everywhere."

A telling example of the firms' commitment abroad last January when Morgan Stanley acquired the rights to the Geneva-based Capital

## Going Abroad

Value of assets of U.S. resident pension funds placed with international managers, (\$ billions)



Source: Investment Company Institute

The New York Times

International Perspective From The Capital Group, a Los Angeles-based investment company. More than just a monthly publication that tracks foreign markets, Capital International is a storehouse of historical data on more than 1,700 stocks around the world.

Its EAFE (Europe, Australia and the Far East) index is considered the benchmark for measuring the performance of international portfolios.

U.S. firms have dabbled with foreign securities research off and on over the years. It took on more significance in the early 1960s as the Eurobond market matured. Then big investment houses gradually turned their attention to stocks, adding a sprinkling of foreign oil and auto stocks to pique the interest of institutional investors who wanted to diversify their holdings.

The reluctance of Wall Street research departments to embrace a global approach is hardly surprising. Despite the pride that U.S. investment firms take in their analysis and the sophistication of their research, these departments are hardly the most aggressive in the industry. They have been slow to move up to foreign management now that the weaker dollar has whetted their appetites for U.S. assets.

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See GLOBAL, Page 17

Key Indicators  
In U.S. Up 0.6%  
During October

The Associated Press

WASHINGTON — The U.S. government's main gauge of future economic activity rose a moderate 0.6 percent in October, the biggest increase in three months, the Commerce Department said Tuesday.

The number was skewed by a special factor, however. The improvement in the Index of Leading Indicators, which is meant to predict the likely course of economic activity three to six months in the future, followed a 0.2-percent increase in September and a 0.2-percent decline in August.

The September figure was revised downward from 0.4-percent increase. The index has risen just 1.2 percent from April through October, compared with a rise of 3.9 percent for the preceding six months.

Analysts said even the 0.6-percent increase in October was not so strong as it appeared to be because half the advance came from a pickup in prices of raw materials. That increase was recycled paper, aluminum and raw cotton.

The leading index considers increases for raw materials a sign of increasing demand, but a signal of faster growth. But analysts said rising prices for raw materials could also be a signal of rising inflation and thus a negative force on economic growth.

The Reagan administration has been predicting that economic growth will strengthen substantially in coming months from the generally sluggish performance of the last two years.

This view is discomfited by private economists, however. While they do not forecast a recession, neither do they believe that the economy is about to perform much better than it has since mid-1984. Growth since then, as measured by the gross national product, has averaged 2.4 percent annually.

The economy is pretty flat," said David Wines, an economist for Data Resources Inc. of Lexington, Massachusetts, a private forecasting firm. "It has been going essentially sideways for two years and I think it is going to go sideways at least through the first half of next year as well."

Growth in GNP, the total output in goods and services, revised to 2.9 percent in the July-September quarter, but analysts fear this could be a short revival.

They contend that consumers, heavily in debt after a record auto-buying spree, will cut back on purchases in the months ahead. Since consumer spending accounts for two-thirds of economic activity, a severe cutback in demand could be disastrous.

For October, the growth in the leading index came from advances in 5 of 11 indicators. After the rise in raw material prices, other positive factors were growth in the money supply, a drop in unemployment claims, growth in business and consumer credit and a change in the pace in which business orders were filled.

Of the six indicators that held back the growth in the index, the largest was a drop in the length of the workweek, followed by declines in orders for business equipment, in business formations, in orders for consumer goods, in building permits and in stock prices.

The various changes left the index at 180.5 percent of its 1967 base of 100.

U.S. Productivity  
Rises Slight 0.2%

United Press International

WASHINGTON — The productivity of U.S. workers increased by a weak 0.2 percent in the third quarter of 1986, the Labor Department reported Tuesday. The Bureau of Labor Statistics anticipated the results from a report made public last month, but two other key estimates in the report for the July-September period changed.

An increase in business output, first reported at 3.2 percent, was revised to 3 percent at an annual rate. A gain in total work hours, first reported at 3 percent, was revised to 2.8 percent annually.

## Currency Rates

Cross Rates	Dec. 2
American dollar	1.00
British pound	1.60
French franc	6.55
German mark	3.36
Italian lira	2.36
Japanese yen	163.60
Swiss franc	1.48
West German mark	3.36
Yen	163.60

Source: Reuters. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

## Interest Rates

Interest Rates	Dec. 2
3-month T-bill	7.12
6-month T-bill	7.12
1-year T-bill	7.12
3-month Treasury note	7.12
6-month Treasury note	7.12
1-year Treasury note	7.12

Source: Federal Reserve Bank of New York. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

## Key Money Rates

Key Money Rates	Dec. 2
3-month T-bill	7.12
6-month T-bill	7.12
1-year T-bill	7.12
3-month Treasury note	7.12
6-month Treasury note	7.12
1-year Treasury note	7.12

Source: Federal Reserve Bank of New York. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

## Asian Dollar Deposits

Asian Dollar Deposits	Dec. 2
1-month	7.12
3-month	7.12
6-month	7.12
1-year	7.12

Source: Federal Reserve Bank of New York. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

## U.S. Money Market Funds

U.S. Money Market Funds	Dec. 2
1-month	7.12
3-month	7.12
6-month	7.12
1-year	7.12

Source: Federal Reserve Bank of New York. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

## Gold

Gold	Dec. 2
1-ounce	7.12
10-ounce	7.12
100-ounce	7.12

Source: Federal Reserve Bank of New York. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit. Rates are for U.S. dollars per foreign unit.

Slower Growth in GNP  
Seen in West Germany

Reuters

BONN — Figures due out on Thursday will show that West Germany's gross national product expanded at a rate of only 0.5 percent, or less, in the third quarter, putting the government's 1986 growth target of 2 percent, economists said Tuesday.

A rise close to 0.5 percent would produce an increase of only about 0.1 percent in the annual rate of 1985 and put an end to the government's hopes of achieving nearly 3 percent growth for the following year.

Economists at West German banks and private economic research institutes said that overall growth for GNP in 1986 would now probably be somewhere between 2.5 percent and 2.7 percent, but that a 3 percent target was still a long way off.

The economists said the third-quarter figures would be a disappointment because what had originally been expected for July-September.

"Growth is continuing without any of the tensions or dangers of overheating that we saw in earlier cycles," an economist at a major Munich-based bank said.

An economist at Economic Research Institute in Hamburg said, "Growth is continuing without any of the tensions or dangers of overheating that we saw in earlier cycles."

Compared with October 1985, industrial output was down 1.2 percent. The ministry said production in October was down 1.5 percent in mining and 4.5 percent in electricity and gas. There was a 1-percent rise in the construction sector.

France Approves Purchase  
Of Natural Gas From Norway

Reuters

OSLO — France has approved its part of an agreement to buy natural gas from Norway after earlier threatening to pull out, the two countries said Tuesday.

Norway's oil and energy minister, Arne Oien, said France had agreed to purchase 6 billion cubic meters of natural gas from the North Sea Troll and Sleipner offshore fields. That amount, however, is 2 billion cubic meters less per year than had previously been agreed to.

West Germany, the Netherlands and Belgium have already agreed to buy gas from the two fields, but France, which is buying 40 percent of the gas, had demanded that Oslo correct a growing trade imbalance between the two countries.

The agreement, valued at a total of about \$70 billion, involves building a pipeline from the North Sea to Belgium. The agreement will return Norway into Western Europe's largest single gas supplier by the end of the century, providing 25 percent of the region's needs.

Mr. Oien said France had attached conditions to buying the remaining 2 billion cubic meters of gas a year, and the two countries had decided to establish an industrial cooperation agreement to improve commercial links.

He said French oil companies seeking work in Norway's offshore sector were likely to receive favorable treatment.

Without French participation, only one field would have been developed and no pipeline would have been built, a blow to Norwegian shipyards hoping for offshore contracts.

Under the agreement, the four nations will be supplied gas for 27 years, with the first deliveries in 1993.

Austria has signed an agreement with Norway's government oil company, Statoil, to purchase gas from the fields, and Statoil is negotiating possible sales with Italy, Spain and Switzerland.

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## Toshiba Sees Year's Net Falling 46%

**TOKYO** — Toshiba Corp.'s group net profit fell 46 percent in the year ending March 31, 1987, to about \$2 billion (\$197.5 million) from last year's \$3.6 billion, the senior vice president and chief financial officer, Osamu Ise, said Tuesday.

He blamed the year's continuing strength and reductions in the prices of Toshiba's products. Toshiba is striving to adjust to the year's new trends by reducing costs, research and development, and increasing overseas production and international joint ventures, Mr. Ise said, and other company officials said.

"We don't think there is any prospect of a weaker yen," Mr. Ise said. The group is trying to create a corporate structure that will be profitable at 150 yen to the dollar, he said. The yen has risen by about 58 percent against the dollar since

September 1985, and is currently at a rate of about 162.

The strong yen, a slump in consumer-product exports and a slowdown in sales to overseas plants reduced net profit for the half-year ended Sept. 30 by 64 percent, to \$1.2 billion from \$3.9 billion a year earlier.

Sales of heavy electrical equipment were hardest hit, falling 24 percent to \$75.9 billion.

Sales of consumer electronics products in the first half fell to \$64.7 billion, down 10 percent, but industrial electronics and electronics components rose 1 percent, to \$57.4 billion, it said.

Consumer products exports continued to fall in the second half, although exports of power plants should help to raise exports overall, Mr. Ise said.

He said the problem was exacerbated by a slump in the domestic economy, despite increased personal consumption.

One element of Toshiba's strategy to cope with the strong yen is a parent company move to produce at seven new sites overseas. Several Toshiba companies have similar moves.

A telephone and medical equipment plant in California and a videotape recorder plant in West Germany will begin production in March.

Mr. Ise said further international technological tie-ups such as this month's with Motorola Inc. of the United States are possible.

Industry analysts said Toshiba is likely to weather the strong yen.

"Prospects are not great for a quick recovery," said Carlos Rivas, of Solomon Brothers Asia Ltd. "Cost declines take a long time to implement."

But Thomas Zengge, director of Consultants Zengge, said Toshiba's efforts to diversify into a wide range of products should eventually pay off.

## COMPANY NOTES

Amer-Atyura Oy of Finland signed a letter of intent to acquire an 80-percent stake in a U.S. golf equipment manufacturer, Macgregor Golf Co., for not more than \$8 million. The purchase is still to be approved by the Bank of Finland. Macgregor, based in Albany, Georgia, is owned by Jack Nicklaus.

RSC Group PLC, a major producer of industrial gases, posted a pre-tax profit for the year to Sept. 30 of \$16.4 million (\$92.2 million), 64 percent down from \$46.8 million previously, on a 46 percent fall in turnover, to \$1.94 billion. It said the results were affected by an exceptional loss of \$128 million charged against profits to write down assets in its carbon division.

Chevrolet Financial Corp. will survive about \$1.2 billion of total automotive receivables in two sales to lenders on Dec. 10. Each is expected to yield about \$500 million. It said the receivables are Chrysler Financial-bid contracts on installment sales.

Gist-Brocades NV of the Netherlands will take over a Freepor, Bahamas, production unit of SmithKline Beckman Corp., the U.S. pharmaceutical company. Gist will take over the conversion of the plant will cost about \$30 million.

London & Manchester Group PLC said it had sold 2.5 million shares in Cambrian & General Securities PLC, London & Manchester said the sale had been made outside the London Stock Exchange but did not give the price. Cambrian shares were frozen last month at 130 pence on the stock exchange following the \$100 million takeover bid by the United States to its former chairman, Ivan P. Boskey.

regional air carrier, said it had agreed to acquire CP Air, Canada's second-largest airline after Air Canada, for 200 million Canadian dollars (about \$217 million). CP Air is a unit of Canadian Pacific Ltd., a diversified transportation and energy concern. The accord requires government approval.

Park Hotel Corp. has made a third offer to buy Resorts International Inc., a hotel and casino company, this time at \$135 a share. But a family trust that holds 46-percent voting control of Resorts said it was continuing its negotiations with other parties.

Pullman-Peddy Co., which makes equipment for trucks and trains, has made a bid valued at \$549 million for Joy Manufacturing, a mining equipment manufacturer based in Pittsburgh. The hostile bid, at \$31 a share, came after merger discussions initiated by Pullman-Peddy ended.

Santa Fe Southern Pacific Corp. has reached an agreement with a major competitor that could clear the way for the merger of Santa Fe's two subsidiaries, Santa Fe Railway and Southern Pacific Co., which was unexpectedly blocked in July. Santa Fe Southern would give the competitor, Union Pacific Railroad, the right to use some of its track.

Sandvik AB, the Swedish steel group, denied a report by Tass that it had agreed to form a joint venture that would have been the first involving a Western company on Soviet territory. Sandvik's president, Hans Forsberg, said the company had been contacted by the Soviet External Trade Ministry about a joint project. Sandvik replied that it was interested, but nothing more had occurred, he said.

## BUSINESS PEOPLE

### Bank Leumi's Chairman In New York Loses Post

By Arthur Hipee

International Herald Tribune

Ernst I. Japhet has resigned as chairman of Bank Leumi Ltd. of New York after an Israeli banking investigation forced him out earlier this year as head of the parent, Bank Leumi of Israel.

Mr. Japhet, 65, had been chairman of the New York subsidiary since 1979.

El Hurwitz, chairman of the parent bank, was also named chairman of the New York unit. David Novot continues as president and chief executive officer of the New York subsidiary.

"A person spends the greater part of his life, and then he's just asked to resign," Mr. Japhet said. He said the New York Times "left very salty, and with bitterness."

Mr. Japhet has now severed all ties with Bank Leumi and its subsidiaries. The bank said he had left New York and was not available for comment.

based in Washington, manages labor union benefit funds. Sentencing was scheduled for Jan. 9.

British & Commonwealth Shipping Co. and Banque Indosuez of France said that Patrick Mignon had been appointed chief executive of W.I. Carr Group Ltd. Mr. Mignon, 39, a Frenchman, is budget and finance director at Indosuez headquarters in Paris. As chief of W.I. Carr, or Wico, he will be based in London. Wico is part of Exco International PLC. As part of its agreed \$272.5-million (\$96-million) takeover bid for Exco, a financial services firm, British & Commonwealth, a diversified group, is selling Wico to Indosuez for around \$30 million.

Mr. Japhet has now severed all ties with Bank Leumi and its subsidiaries. The bank said he had left New York and was not available for comment.

An Israeli government commission in April demanded the resignations of the heads of the country's four largest banks and the governor of the state bank. The government contended that Mr. Japhet, who resigned from the parent bank in May, was part of a 1983 stock manipulation that led to a stock-market crash.

Inter-Continental Hotels Corp., a wholly owned subsidiary of Grand Metropolitan PLC, one of the largest British conglomerates, has named Edward S. Tripp as its chief executive for Europe and the Middle East. He will be based in London. Mr. Tripp, 45, succeeded Peter C. Balas, 55, who is retiring to begin a two-year term as president of the International Hotel Association based in Paris. Mr. Tripp is currently president of Inter-Continental's Forum Hotels division. This post will be taken over by Rene Procto, 47, vice president for Southeast Asia, who will move from London to London.

Union Labor Life Insurance Co.'s former vice president and controller, Robert E. Richter, 45, has pleaded guilty to federal fraud totaling more than \$900,000 from the company between 1977 and 1983. The company, now

Information: Person, Holding & Person NV, Herengracht 214, 1016 BS Amsterdam.

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## ACCORD: Honeywell Pact

(Continued from first finance page)

reimbursement of debt. The rest will come from the sale of 27.5 percent of the computer business to Bull & NEC.

The agreement is part of Honeywell's overall restructuring, which has included a worldwide rejection of about 4,000 employees and the purchase last month of the Sperry aerospace unit from Univac Corp. for \$103 million.

Honeywell said the venture would market the complete information systems line of mainframe, minicomputer and microcomputer hardware, software and services in the United States and abroad. In addition, the proposed venture will market products of Bull and NEC.

Honeywell was for years the majority shareholder in Bull until the French company was nationalized in 1982.

In addition, Honeywell aided NEC in its early computer activities in the 1970s until the Japanese company acquired the U.S. one, mainly in the field of high-power information systems.

(AP, Reuters, AFP)

## GM's Perot Buyout Clouds Future, if Any, of EDS

By David R. Sanger

New York Times Service

NEW YORK — When General Motors Corp. purchased Electronic Data Systems Corp. two years ago for \$2.3 billion, it gave EDS the right to buy back the company, but it has not yet done so.

Now, just as that offer is being renewed, the buyout is being threatened by a new group of investors, led by the late Mr. Perot, who is now a major shareholder in EDS.

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that, "General Motors will have spent billions of dollars for a company that's going to seek employment somewhere else."

That threat, both analysts and EDS officials say, is the chief asset of a company that has not made its mark making computer systems, but making them work.

If GM manages to hold on to the unit's upper echelons, the battle between the two groups will be a struggle for control of the company's future. Mr. Perot, who is now a major shareholder in EDS, is now a major shareholder in EDS.

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concern EDS's independence and its close to GM.

"These are people who want to make it work," Mr. Erly said of the remaining EDS executives. "But they have maybe three to six months before control of the company could cause top-level defections."

To many in the computer industry, the split between GM and Mr. Perot's intensely loyal core of followers is not surprising. From the start, it was clear that the two companies would not be an easy fit.

Ever since the company was founded in the early 1960s, it has specialized in automating the processing of paperwork. Its early success was in the health care field, and every three or four years it would tackle a new market — first insurance, then banking and more recently the federal government.

What EDS never before attempted, though, was designing systems for the factory floor or telecommunications, two key tasks of the first of the large EDS projects.

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# Women: 20 Years of NOW — and When

author, filmmaker and journal

and to Jeani Klump, an Española known for his journeys to Patagonia and Tierra del Fuego. The interallie, traditionally given author-reporter, went to Laber his latest novel, "L'Etranger" (The Foreign Student) based on the author's experience as a student at the Washington Lee University in Virginia in

1950s. Labro, 50, is head of RTL radio station, after a long career in the press and broadcasting. He is also the director of several mass-market films. The 1986 temubrand prize was awarded Raspoli, 61, for his historical novel account of the Alakaluf people of Tierra del Fuego, entitled "Mañá."

To those who contend that NOW has relegated family and child welfare issues to the back burner, Smeal, said in a recent interview: "We have always been involved in the full range of child care and family issues, in pregnancy leave issues, in employment issues

for lower-income women. To say that we have not always done so distorts the truth: child care was in fact a part of our 1967 bill of rights.

**FOR NOW** to engage the next generation of leaders and activists — women now in their 20s and 30s — feeling is strong that it will certainly have to give these concerns a

However, it is not clear how many young women the organization is currently recruiting, for no statistics on the ages of members are kept, a spokesman said.

In the view of Lynn Hecht Schram, director of the NOW Legal Defense and Education Fund's ju-

At "Abilene" businessman \$12,100 (\$17,400) at auction in 1954. Daimler saloon car built by Queen Elizabeth II's personal in the early years of her reign. vis Parvis, a collector of vintage automobiles, said he intended to keep the black-and-silver car. Mark II Saloon at his home in Belgrade, not far from Smederevo.

they want, the initial jobs they want in their chosen professions at excellent salaries. That is why we don't sense a burning need in young people."

ham Palace. "Most of my officers are prewar, but I thought it was pretty and young having cause it was the queen's car." vis said after a Sotheby's auction of 120 classic cars.

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